Annual Report

2007

DÜRKOPP ADLER AG

Equity Holdings

DÜRKOPP ADLER AG

- 100% Dürkopp Fördertechnik GmbH, Bielefeld/Germany
- 100% Beisler GmbH, Hösbach/Germany
- 87,99% Minerva Boskovice, a.s., Boskovice/Czech Republic
- 100% S.C. Dürkopp Adler masini de cusut S.R.L., Sangeorgiu de Mures/Romania
- 75% Dürkopp Adler DaFuJi (Dalian) Sewing Machines Co., Ltd., Dalian/China
- 30% Dürkopp Adler Manufacturing (Shanghai) Co., Ltd., Shanghai/China
- 100% Adler Industrienähmaschinen Verkauf GmbH, Bielefeld/Germany
- 100% Dürkopp Adler America, Inc., Atlanta/USA
  - 99,98% Dürkopp Adler Mexico S.A. de C.V., Mexico-City/Mexico
- 100% Dürkopp Adler Far East Ltd., Hongkong/China
- 100% Dürkopp Adler International Trading (Shanghai) Co., Ltd., i.L., Shanghai/China
- 100% Dürkopp Adler Italia S.r.l., Mailand/Italy
- 100% Dürkopp Adler France S.A.S., Paris/France
- 100% Dürkopp Adler Polska Sp. z o.o., Wroclaw/Poland
- 25% Dürkopp Adler Trading (Shanghai) Co., Ltd., Shanghai/China

Content

Management report

of the Dürkopp Adler Group

Market developments

Sustained positive world economic conditions have once again intensified competition in the capital equipment segment for the sewing industry in 2007. Through an aggressive push on prices and conditions, Asian competitors in particular sought to win, or hold on to, market share. In addition, the fluctuating exchange rate of the euro to the US dollar, particularly in H2, negatively affected market opportunities for our products.

As before, the most significant market for the Sewing Technology business unit is Europe. Here, Dürkopp Adler was once again successful in 2007. The continuing trend in the European clothing industry towards the production of top-quality clothing, coupled with very short-term reaction times in relation to changes in fashion and just-in-time logistics led to a very satisfying volume of demand for our high-end products. Developments in our Application Centre that have been tailored to suit market needs have meant that individual customer request were capable of being fulfilled. In the 'Industrial' segment, market share increased in Europe. In addition to stimulating demand for the new M-Type series machines, sales of shoe machine also saw remarkable gains.

In the Asian market – particularly with respect to China – the company managed to meet its targets in the 'Industrial' sector. Several major key customers were successfully canvassed. Overall, we witnessed a decline in market volumes in China in the clothing sector. Here, business is characterised by overcapacity with a simultaneous drop in prices. In the meantime, several clothing manufacturers have relocated their production from China to Vietnam in an attempt to minimise their dependency on China as a location. A similar development was seen in H2 in India. Within Asia, time and again companies are relocating manufacturing capacities, in particular of mass-produced products. On the other hand, there is a trend towards improved sewing technology, which should have a positive impact on our market opportunities in the medium term.

After years of downturn in the USA, 2007 welcomed in a turnaround. America posted a slight increase in volume that led to a recovery of market share.

In the core market of Materials Handling, trade in clothing, the past year saw a very respectable willingness to invest. In particular this affected Western Europe, the central market for Materials Handling. Even logistics service providers were increasingly prepared to invest in automation.

Sales and orders

Sales in the Dürkopp Adler Group amounted to EUR 151.3 million (prior year: EUR 146.1 million). As before, international business is of extraordinary significance for the Dürkopp Adler Group. The proportion of Group sales attributable to international business stood at 84.7% (prior year: 85.4%). Europe continued to represent the regional stronghold with a proportion of 66.2% of consolidated Group sales (prior year: 61.1%), or EUR 100.2 million (prior year: EUR 89.4 million).

In 2007, orders received by the Dürkopp Adler Group amounted to EUR 157.9 million (prior year: EUR 148.3 million).

As at December 31, 2007 orders at hand for the Group stood at EUR 26.3 million (prior year: EUR 20.3 million).

Sales trend over the last 5 years

(in million EUR)	2003	HGB 2004	IFRS 2004	2005	2006	2007
Group	145.7	133.2	133.3	128.6	146.1	151.3

Regional sales

(in million EUR)	2007	%	2006	%
Germany	23.1	15.3	21.4	14.6
Europe (without Germany)	77.1	50.9	68.0	46.5
Americas	14.9	9.8	14.6	10.0
Africa	5.7	3.8	6.2	4.2
Asia/Australia	30.5	20.2	35.9	24.7
Total	**151.3**	**100.0**	**146.1**	**100.0**

Employees

At December 31, 2007, the Dürkopp Adler Group had 1,817 employees (prior year: 1,807 employees). The annual average amounted to 1,785 employees (prior year: 1,753 employees).

European production facilities were working at full capacity. Peak demand in Germany was covered by the usage of flexi-time models and the increase in personnel within the scope of employee transfer agreements. To meet the intense demand for products manufactured by Minerva Boskovice, a.s., production capacity in the Czech Republic was increased by the appointment of 37 new employees.

At sites in Bielefeld, Boskovice und Sangeorgiu de Mures, production employees work in several shifts. Remuneration was primarily based on a monthly salary basis. Options relating to pre-retirement part-time work schemes presented under law or through agreements were taken up by 7 employees in 2007 (prior year: 35 employees). Staff development and training was encouraged by offering regular courses, which were attended by a large number of the staff. Dürkopp Adler continues to place particular importance on the training of younger people. As per December 31, 2007, Dürkopp Adler AG employed 29 apprentices and trainees (prior year: 34). As in prior years, staff turnover at all locations was particularly low. A large proportion of employees has been working for the Dürkopp Adler Group for more than 25 years.

Personnel expenses in the Group amounted to EUR 51.7 million (prior year: EUR 49.8 million).

Environmental protection

Strict environmental protection goals have been defined for Group companies. Compliance with these is controlled by regular checks and monitoring.

The Dürkopp Adler Group has identified important projects in the field of environmental protection. These include improving energy balances, optimizing climate protection and emissions control and measuring the sustainability of its procedures and products.

To mark a step in this direction, 2007 saw the introduction of the GreenLine environmental label, identifying products with excellent properties in terms of environmental protection and the conservation of resources. This label has been assigned to the new premium high-speed Class 281 machine thanks to its extremely low energy consumption in comparison to competitive models.

Development and innovation

With the aim of improving competitiveness and innovative, development activities at the Dürkopp Adler Group were increased. Expenses for research and development recognized in the income statement for 2007 amounted to EUR 5.9 million.

In the Sewing Technology business unit, new specialist machines were added to the M-Type series for medium-heavy duty applications, marking a development milestone in 2007. Launched on the market in 2007, the Class 580 Multiflex represents the development of a highly flexible sewing system for eyelet buttonholes. The product ranges also now includes a special sewing machine for basting and tacking operations in outerwear.

The new development of the platform for welt pockets based on the 100-68 series was successfully launched on the market.

The Application Centre developed numerous machines customised to meet the requirements of individual customers.

In addition to other new models and improvements on existing products, a proportion of development capacity was used to develop new products for Dürkopp Adler Manufacturing (Shanghai) Co. Ltd. This is a joint venture in which both Dürkopp Adler AG and the SGSB Group Co. Ltd. (SGSB Group) in Shanghai have invested.

Following the establishment of the new fully-automatic warehousing and picking system in the automobile supplying industry, in 2007 Materials Handling business unit developed the product still further and successfully marketed it in projects related to the distribution of clothing.

Net operating profit

The top line growth in Materials Handling was not able to fully compensate for the erosion of margins in Sewing Technology caused by the severe pressure on prices and the negative effects of currency translations. This led to a gross operating profit of EUR 49.5 million, EUR 5.4 million below the result from the previous year. Cost savings across all divisions enabled us to achieve a net operating profit of EUR 10.4 million despite the drop in margins. This was in line with the figure from the prior year. The financial result was reduced from EUR –4.0 million in the prior year to EUR –3.5 million in 2007. Given a pre-tax profit of EUR 6.9 million (prior year: EUR 6.4 million) and taxes on income of EUR –4.3 million (prior year: EUR 1.1 million), Group net income before minority interest of EUR 2.6 million (prior year: EUR 5.3 million) was achieved. Return on sales before taxes amounted to 4.6% (prior year: 4.4%); earnings per share fell from EUR 0.63 to EUR 0.32 now.

Development of earnings

(in million EUR)	2007	%	2006	%	Veränderung %
Sales revenues	151.3	100.0	146.1	100.0	3.6
Production costs of sales	–101.8	–67.3	–91.2	–62.4	11.6
Gross operating profit of sales	**49.5**	**32.7**	**54.9**	**37.6**	**–9.8**
Selling expenses	–24.9	–16.4	–26.3	–18.0	–5.3
R&D expenses	–5.9	–3.9	–6.1	–4.2	–3.3
General administration costs	–7.0	–4.6	–7.2	–4.9	–2.8
Other operating income	4.1	2.6	3.9	2.6	5.1
Other operating expenses	–5.4	–3.5	–8.8	–6.0	–38.6
EBIT	**10.4**	**6.9**	**10.4**	**7.1**	**0.0**
Financial result	–3.5	–2.3	–4.0	–2.7	–12.5
Profit before taxes on income	**6.9**	**4.6**	**6.4**	**4.4**	**7.8**
Taxes on income	–4.3	–2.8	–1.1	–0.8	290.9
Group net income before minority interests	**2.6**	**1.8**	**5.3**	**3.6**	**–50.9**

Cash flow statement

The cash flow statement records the flow of payments to and from the Dürkopp Adler Group. The cash flow from current business activities fell to EUR 7.6 million (prior year: EUR 18.4 million). Liquid funds dropped slightly from EUR 17.5 million in 2005 to EUR 16.1 million in the year under review. The detailed cash flow statement is included in the Group financial statements.

Assets, liabilities and shareholder's equity

Non-current assets amounted to EUR 48.3 million (prior year: EUR 47.3 million). This corresponds to 34.4% of the balance sheet total (prior year: 34.7%).

Additions of intangible assets and property, plant and equipment totalled EUR 5.8 million in 2007 and comprised primarily replacement investment, as in prior years. In the prior year this amounted to EUR 5.5 million. The focus of investment activities in 2007 lay in the purchase of CNC processing centres for the Bielefeld and Boskovice sites. Depreciation/amortization on intangible assets and property, plant and equipment for the financial year amounted to EUR 6.4 million (prior year: EUR 5.9 million).

Investment in associated companies rose due to an increase in capital at Dürkopp Adler Manufacturing (Shanghai) Co. Ltd. of EUR 1.9 million.

Investment/Depreciation over the last 5 years

(in million EUR)	2003	HGB 2004	IFRS 2004	2005	2006	2007
Investment	3.7	3.3	4.9	5.2	6.0	7.7
Depreciation	5.7	6.6	7.8	6.2	6.0	6.5

Inventories rose from EUR 34.2 million in the prior year to EUR 39.5 million. This increase primarily concerned Materials Handling. Here, materials were purchase in 2007 for orders to be completed in 2008. Thanks to higher sales in December, accounts receivable rose from EUR 25.5 million to EUR 27.4 million.

At year-end 2007 Group equity stood at EUR 31.8 million (prior year: EUR 29,1 million). The equity ratio improved from 21.4% to 22.7%.

At EUR 42.5 million, pension provisions represented the most significant item on the capital side of the Dürkopp Adler Group balance sheet.

Other long-term provisions of EUR 2.9 million (prior year: EUR 2.6 million) mainly comprise anniversary provisions and provisions for salary agreements.

Bank liabilities/funding

The Group's net financial obligations – a balance of a Group loan from the ShangGong (Europe) Holding Corp. GmbH – liabilities to banks and liquid funds increased in the year under review by EUR 1.7 million to EUR 17.8 million (prior year: EUR 16.1 million). At December 31, 2006, liabilities to banks amounted to EUR 1.9 million (prior year: EUR 0.6 million).

The ShangGong (Europe) Holding Corp. GmbH, Bielefeld, provided the Group with a long-term Group loan. This loan amounted to EUR 32.0 million of which EUR 24.0 million is to be repaid in eight equal instalment from 2008 to 2015. The remaining EUR 8.0 million is due at a later time. In addition, credit lines from banks of EUR 12.8 million have been provided.

Sewing Technology

In Sewing Technology, sales of EUR 113.3 million were achieved (prior year: EUR 114.6 million). At EUR 114.6 million, orders received were close to the level of the prior year (prior year: EUR 115.3 million).

Sales trend over the last 5 years

(in million EUR)	2003	HGB 2004	IFRS 2004	2005	2006	2007
Sewing Technology	111.5	111.8	112.0	101.7	114.6	113.3

Sustained pressure on prices from the competition and the effects of fluctuating US dollar/euro exchange rates led to a fall in gross profit. However, an increase in productivity at all sites, efficient utilization of capacity and strict cost management all contributed to a pre-tax profit of EUR 5.0 million – the same level as last year As per December 31, 2007, Sewing Technology had 1,661 employees (prior year: 1,660) of which 431 employees (prior year: 416) worked at the two German locations.

Sewing Technology

(in million EUR)	2007	2006
Sales	113.3	114.6
Operating profit	8.8	9.7
EBIT	8.6	9.1
Profit for the business unit (before taxes)	5.0	5.0
Net profit ratio in %	7.8	8.5
Operating ROCE in %	9.3	10.0
Cash flow from business activities	6.7	17.1
Operating capital employed	95.9	94.6
Non-current assets	47.4	46.7
– Investment	7.1	5.8
– Depreciation	6.2	5.6
Employees (Dec. 31)	1,661	1,660

Materials Handling

Materials Handling was able to increase revenue by more than 20% to EUR 38.1 million. Successful developments in the business unit were further documented by the increase in orders received, which rose by 31.2% to EUR 43.3 million. Orders received by the Dürkopp Fördertechnik GmbH as per December 31, 2007 stood at EUR 17.3 million (prior year: EUR 12.0 million).

Sales trend over the last 5 years

(in million EUR)	2003	HGB 2004	IFRS 2004	2005	2006	2007
Materials Handling	34.2	21.4	21.3	26.9	31.6	38.1

The positive sales trend led to an improvement in pre-tax profit for the business unit of EUR 1.9 million (prior year: EUR 1.4 million).

Materials Handling

(in million EUR)	2007	2006
Sales	38.1	31.6
Operating profit	1.8	1.3
EBIT	1.8	1.3
Profit for the business unit (before taxes)	1.9	1.4
Net profit ratio in %	4.7	4.1
Operating ROCE in %	31.7	26.8
Cash flow from business activities	0.8	1.3
Operating capital employed	7.4	3.9
Non-current assets	0.9	0.6
– Investment	0.6	0.2
– Depreciation	0.3	0.4
Employees (Dec. 31)	156	147

Situation of the Dürkopp Adler Group

The development in Sewing Technology is also reflected in the course of business of Dürkopp Adler AG. In 2007, sales amounted to EUR 88.9 million (prior year: EUR 90.5 million). In comparison to the previous year, slight top line growth was recorded in Europe and the USA. The proportion of sales attributable to international business stood at 85.4% (prior year: 87.7%). Orders received in 2007 amounted to EUR 90.4 million (prior year: EUR 91.3 million).

The gross operating profit of EUR 27.2 million (prior year: EUR 31.5 million) was negatively impacted by the high costs of material and personnel as well as by the tough competition on price and conditions and the decline of the US dollar against the euro. This development was compensated by cost savings in administration and selling expenses and other operating expenses. This led to an EBIT of EUR 8.1 million, close to the level of the previous year.

With an improved financial result, pre-tax profit rose to EUR 5.4 million (prior year: EUR 5.2 million). For Dürkopp Adler AG, net income for the year amounted to EUR 2.3 million (prior year: EUR 4.9 million).

Results of subsidiaries

Financial year 2007 was a particularly successful one for the largest production company in the Dürkopp Adler Group, Minerva Boskovice, a.s. Production capacity was stretched to its limits. Sales increased from EUR 30.1 million to EUR 32.3 million. This increase was largely driven by the Shoe Machine division. These products are chiefly marketed by the company's in-house sales organisation. This top line growth coupled with strict cost management has led to a more than two-fold increase in pre-tax profit to EUR 1.2 million (prior year: EUR 0.5 million). Net income for the year amounted to EUR 0.9 million (prior year: EUR 0.4 million).

At Dürkopp Adler Romania, parts and components for production sites in Bielefeld, Hösbach and Boskovice are manufactured, which are also used for spare and wear part sales through Dürkopp Adler AG and its affiliates. Dürkopp Adler Romania closed the financial year at virtually break even.

Once again, Beisler GmbH in Hösbach recorded a positive result for the year with an increase in sales.

Following several loss-making years, Dürkopp Adler America Inc. was able to post a net profit for the year.

Business developments at the three European sales companies – Dürkopp Adler Italia S.r.l., Dürkopp Adler France S.A.S. and Dürkopp Adler Polska Sp. z.o.o. – were very upbeat. Sales at Dürkopp Adler Italia S.r.l. rose by 22.2% from EUR 7.2 in 2006 to EUR 8.8 million in 2007. Following pre-tax profit of EUR 0.4 million, net income for the year amounted to EUR 0.2 million. Sales at Dürkopp Adler France S.A.A. amounted to EUR 7.2 million (prior year: EUR 6.6 million). The pre-tax profit of EUR 0.3 million was at the level of the previous year. Dürkopp Adler Polska achieved sales of EUR 2.8 million and net income for the year of EUR 0.1 million.

The two Asian companies Dürkopp Adler Far East Ltd. and Dürkopp Adler DaFuJi (Dalain) Sewing Machine Co. Ltd. closed the year with a net loss.

By and large, financial figures of the Dürkopp Fördertechnik GmbH corresponded to those of the Materials Handling business unit.

Remuneration paid to members of the Executive Board and the Supervisory Board

The remuneration paid to members of the Executive Board, set by the Supervisory Board, is composed of non-performance-related and performance-related components. Non-performance related elements refer to fixed fees and expenses, while performance-related components are tied to annual goals set in advance. The fixed component of basic non-performance-related remuneration is paid monthly in the form of a salary.

Remuneration paid to the Supervisory Board members is fixed in the Articles of Association of the Dürkopp Adler AG. Pursuant to Article 14 of the Company's Articles, in addition to compensation for cash expenditures, each member of the Supervisory Board shall receive EUR 4,090.34 for each full financial year, payable at the end of this financial year. This is increased by dividends of EUR 511.29 for each percent point exceeding the base rate of 14% of the share capital. Dividends within the meaning of the previous provision refer to those dividends resulting before consideration of tax credits and retentions. The Chair of the Supervisory Board receives twice the amount described above, the Deputy Chair one-and-a-half times the amount. In addition, members of the Supervisory Board shall receive compensation for value-added tax to be paid on their remuneration and expenses, in as far as the Company is entitled to deduct input tax.

There are no further agreements with respect to the remuneration paid to Executive Board and Supervisory Board members.

Supplementary details in accordance with Article 289, para. 4 and Article 315, para. 4 of the German Commercial Code, HGB and explanatory report

Pursuant to Article 10 of the German Stock Corporation Act (Aktiengesetz – AktG), the company's subscribed capital is divided into 8,200,000 ordinary shares issued in the name of the shareholder. Each share is granted one vote. Securitization of the holding is excluded. The Executive Board is not aware of any restrictions that would affect voting rights or the transfer of shares. There are no shares with special rights that confer supervisory powers.

Given the approval of the Supervisory Board, the Executive Board can increase the share capital of the company by 17 June 2008, either once or in several tranches, by issuing new shares against cash contributions of up to EUR 7,669,378.22 (Authorized Capital I). Shareholders are to be granted subscriptions rights. Furthermore, given the approval of the Supervisory Board, the Executive Board is authorised to increase the share capital of the company by the same date, either once or in several tranches, by issuing new shares against cash contributions of up to EUR 2,045,167.52 (Approved Capital II). Given the approval of the Supervisory Board, the Executive Board in authorised to exclude shareholders if the amount of issue does not significantly fall short of the stock market price. In both cases, given the approval of the Supervisory Board, the Executive Board is entitled to remove the peak amounts from the shareholders' subscription rights. Moreover, given the approval of the Supervisory Board, the Executive Board is authorised increase the share capital of the company by 17 June 2008, either once or in several tranches, by issuing new shares to employees of the company and their Group companies (Authorized Capital III). Here, shareholder subscription rights are excluded. For all approved capital, given the approval of the Supervisory Board, the Executive Board is entitled to decide on other elements of share rights and the conditions for issuing shares.

The company has been informed of the following share ownership:

ShangGong (Europe) Holding Corporation GmbH, Bielefeld	Direct	94.83 %
SGSB Group Co., Ltd., Shanghai	Indirect	94.83 %
Shanghai Pudong New Area State-owned Assets Administration Bureau, Shanghai, China	Indirect	94.83 %

Pursuant to Articles 84 and 85 of the AktG in connection with Article 6 of the Articles of Association, the Executive Board is appointed and dismissed by the Supervisory Board. Pursuant to Article 179 AktG, the Shareholders' Meeting is responsible for amendments made to the Company's articles.

According to Article 18, para. of the company's articles, resolutions passed by the Shareholders' Meeting require the simple majority of votes cast. If a majority of the share capital is required to pass a resolution, this is also to be in the form of a simple majority unless otherwise prescribed by law. The power to amend the company's articles, insofar as this only relates to its wording is transferred to the Supervisory Board in accordance with Article 20 of the Articles of Association in agreement with Article 179, para. 1, sentence 2 AktG.

The Company has met various agreements that are subject to change of control resulting from a takeover bid. These include numerous agreements regarding value and materiality with suppliers and some with customers. Furthermore, a provision has been included in the joint venture agreement to found Dürkopp Adler DaFuJi (Dalian) Sewing Machines Co. Ltd., Dalian, China that provides for special withdrawal rights in the event of a change in the majority shareholding of Dürkopp Adler AG. Dürkopp Adler AG has made no further agreements with appropriate conditions in the event of a change in control.

Financial controlling

As part of the financial controlling of the Company, Dürkopp Adler makes use of an integrated planning and control system to be able to recognize changed risk situations in real time and to counter their effects. Here, controlling values such as operating profit, EBT, capital employed (ROCE) and cash flow are used. Furthermore, goals for other important controlling values are provided for. We know exactly how much we earn with a product in a region and always have an eye on the effects of market developments. In addition, we also receive information on the optimization of our product portfolio.

Derivate financial instruments are used to hedge against currency risks. These instruments solely hedge currency risks from existing and future business. In the preceding financial year, risks were hedged by forward exchange contracts. Derivative financial business is subject to ongoing risk controls and are carried out under strict functional separation in trade, processing, documentation and control.

Risk report

The complexity of the worldwide markets we serve calls for an effective system of risk-oriented corporate monitoring. For this, we make use of our own risk management and early recognition systems. Annual planning meetings, business activities are examined and evaluated in terms of their opportunities are risks. This enables goals to be derived, in which their degree of performance is monitored during the period by a Group-wide controlling and reporting system. Should changes or deviations in the market or competitive situation arise, these are immediately captured and analyzed by this control system – and decision-making powers in the Company are informed of these immediately. This procedure enables us to identify negative developments promptly and to adopt countermeasures immediately. In addition to standard reporting there are also ad hoc reports drawn up for risks that unexpectedly arise. Group controlling and internal auditing monitor the appropriateness and efficiency of the overall risk management. Information on improvement potential and risks are reported directly to the Executive Board. This monitoring also includes documenting the overall risk management and early recognition system and reviewing its suitability.

Opportunities and risks of future developments

Strong competition in the sewing technology market and the significant influence of the USD-EUR exchange rate are permanent risks for our company. However, by introducing new products on the market and realising increased sales as a result, we do see opportunities to largely compensate for any negative affects they might accrue.

From our point of view, there are currently no substantial risks to Dürkopp Adler AG and the Dürkopp Adler Group. Thanks to the long-term loan provided by ShangGong (Europe) liquid funds and stand-by credit facilities from our company's banks of EUR 12.8 million, the liquidity of Dürkopp Adler AG and thus the Dürkopp Adler Group is assured.

Dependent company report

We have drawn a report on the relationship to affiliated companies pursuant to the regulations of Article 312 of the AktG. In addition to details of the relationship to companies in the Dürkopp Adler Gruoup, the report examines the connections to enterprises in the SGSB Group. The reports concludes with the following declaration:

"Our company received appropriate compensation for the legal transactions listed in the report on the relations to affiliated companies according to the conditions which were known to us at the time such legal transactions were undertaken. Our company neither took or omitted to take any measures at the behest or in the interest of a major shareholder or of an affiliated company."

Significant events after the balance sheet date

Since the end of the 2007 financial year, no further events of significance for the Dürkopp Adler Group have occurred which could lead to an amended assessment of the financial position, financial performance and cash flows.

Outlook

We presume that the demand for capital equipment for the sewing industry will continue to be characterised by strong competitive pressure, high discounts and overcapacity. Developments on the currency markets particularly with respect to the US dollar exchange rate will have a decisive influence on the course of business for the Sewing Technology business unit.

Further growth in sales in planned for 2008. A number of new developments in the fields of automats and workstations have significantly enhanced our sales opportunities for the future. We are also expecting top line growth from the market launch of standard machines from our production site in Shanghai, set up as a joint venture with the SGSB Group. The site is responsible for the production of the new high speed Class 281 machine, an important addition to our range of products.

Given the optimistic positioning of our European sales organisation and local production sites, we are well placed to address the particularly important markets of Europe and North Africa.
We will continue to focus on new products developed from the M-Type platform for medium-heavy duty machines. In the meantime, these have formed an encouraging and broad basis for further growth in sales. In the shoe industry, new machines developed from the M-Type series have once again positioned the company at the cutting edge of technology. This also applies to Asia, a market that has developed into the core market for shoe production.

Another focus in 2008 will be the development of the parts business and the service sector.

By exploiting ways of optimising our processes, we are looking to significantly increase our response and implementation speeds at our European sites. By increasingly sourcing parts and components in Asia, we will be further optimising costs across all our processes.

We will also be expanding our Application Centres, exploring ways to offer more successful special solutions for our customers.

Our goal is to improve our competitiveness by remaining at the forefront in terms of quality, innovation and cutting edge technology.

In 2008, Materials Handling will be looking to assert its leading position in the European market. Strong order books as per December 31, 2007 and our customers' continued willingness to invest provide a solid foundation for this claim.

Despite the risks mentioned above with respect to price pressure and the US dollar exchange rate, we are confident that high revenues will bring about the anticipated positive result.

Bielefeld, March 5, 2008

The Executive Board

Alfred Wadle   Ying Zheng

Balance Sheet

of the Dürkopp Adler Group for the year ending December 31, 2007

(in thousand EUR)	Appendix	Dec. 31, 2007	Dec. 31, 2006
ASSETS			
Non-current assets			
Intangible assets	(1)	7,907	7,225
Tangible fixed assets	(2)	33,417	34,893
Investment property	(3)	4,541	4,666
Investment in subsidiaries	(4)	0	540
Investment consolidated according to equity method	(4)	2,456	0
		48,321	**47,324**
Deferred taxes	(24)	**4,277**	**7,143**
		52,598	**54,467**
Current assets			
Inventories	(5)	39,460	34,153
Accounts receivable and other assets	(6)	32,258	30,266
Cash and cash equivalents	(7)	16,126	17,541
		87,844	**81,960**
		140,442	**136,427**
LIABILITIES			
Equity			
Subscribed capital	(8)	20,963	20,963
Capital reserves	(9)	8,112	8,112
Retained earnings	(10)	16,177	16,089
Balance sheet loss		–14,855	–17,456
		30,397	**27,708**
Minority interests	(11)	1,428	1,438
		31,825	**29,146**
Non-current liabilities			
Pension provisions	(12)	42,455	44,049
Other non-current provisions	(13)	2,878	2,639
Financial liabilities	(14)	29,033	32,038
Deferred taxes	(24)	3,282	3,294
		77,648	**82,020**
Current liabilities	(15)		
Current provisions		9,219	9,513
Trade accounts payable		5,594	6,052
Advanced payments received for orders		5,605	3,758
Accounts payable to affiliated companies		136	58
Financial liabilities		7,546	3,944
Other current non financial liabilities		996	821
Income tax liabilities		1,873	1,115
		30,969	**25,261**
		108,617	**107,281**
		140,442	**136,427**

Income Statement

of the Dürkopp Adler Group for the financial year 2007

(in thousand EUR)	Appendix	2007	2006
Sales	(16)	**151,303**	**146,099**
Costs of sales	(17)	–101,756	–91,207
Gross profit on sales		**49,547**	**54,892**
Selling expenses	(18)	–24,884	–26,321
Expenses of research and development	(19)	–5,887	–6,108
General administration expenses	(20)	–6,999	–7,231
Other operating income	(21)	4,069	3,897
Other operating expenses	(22)	–5,442	–8,776
Operational result		**10,404**	**10,353**
Finance balance	(23)	–3,523	–3,998
Result before income taxes		**6,881**	**6,355**
Income taxes	(24)	–4,280	–1,104
Consolidated net income before minority interests		**2,601**	**5,251**
Minority interests	(25)	39	–45
Consolidated net income after minority interests		**2,640**	**5,206**

Income per share in EUR (undiluted/diluted)		**0.32**	**0.63**
Number of shares		**8,200,000**	**8,200,000**

Development of assets

of Dürkopp Adler-Group 2007

(in thousand EUR)	Status Jan. 01, 2007	Curreny adjustments	Addition	Retirement	Reclassification	Status Dec. 31, 2007
	Acquisition or production costs					
I. Intangible assets						
1. Industrial property rights, similar rights and values and licences to such rights	1,625	10	229	274	–	1,590
2. Development costs	9,498	–	2,516	–	–	12,014
3. Goodwill	5,832	–	–	–	–	5,832
4. Advances to suppliers	2	–	–	–	–	2
	16,957	**10**	**2,745**	**274**	**–**	**19,438**
II. Property plant and equipment						
1. Land and buildings	41,792	46	49	168	29	41,748
2. Machinery	31,864	383	1,847	911	141	33,324
3. Furniture and fixtures and office equipment	31,532	215	1,103	1,676	110	31,284
4. Advances to suppliers and construction in progress	335	88	42	–	–280	185
	105,523	**732**	**3,041**	**2,755**	**–**	**106,541**
III. Investment property	**6,220**	**–**	**–**	**–**	**–**	**6,220**
IV. Financial assets						
1. Investments in subsidiaries	540	–	–	–	–540	–
2. Investments consolidated according to equity method	–	–38	1,963	9	540	2,456
	540	**–38**	**1,963**	**9**	**–**	**2,456**
	129,240	**704**	**7,749**	**3,038**	**–**	**134,655**

					Accumulated depreciation		Net book value
Status Jan. 01, 2007	Curreny adjustments	Addition	Retirement	Reclassification	Status Dec. 31, 2007	Status Dec. 31, 2007	Status Dec. 31, 2006
1,061	15	400	272	–	1,204	386	564
5,753	–	1,656	–	–	7,409	4,605	3,745
2,918	–	–	–	–	2,918	2,914	2,914
–	–	–	–	–	–	2	2
9,732	**15**	**2,056**	**272**	**–**	**11,531**	**7,907**	**7,225**
19,334	73	1,064	64	–	20,407	21,341	22,458
23,864	420	1,731	780	–	25,235	8,089	8,000
27,416	158	1,540	1,643	–	27,471	3,813	4,116
16	–	–5	–	–	11	174	319
70,630	**651**	**4,330**	**2,487**	**–**	**73,124**	**33,417**	**34,893**
1,554	**–**	**125**	**–**	**–**	**1,679**	**4,541**	**4,666**
–	–	–	–	–	–	–	540
–	–	–	–	–	–	2,456	–
–	**–**	**–**	**–**	**–**	**–**	**2,456**	**540**
81,916	**666**	**6,511**	**2,759**	**–**	**86,334**	**48,321**	**47,324**

Development of assets

of Dürkopp Adler-Group 2006

	Acquisition or production costs					
(in thousand EUR)	Status Jan. 01, 2006	Curreny adjustments	Addition	Retirement	Reclassification	Status Dec. 31, 2006
I. Intangible assets						
1. Industrial property rights, similar rights and values and licences to such rights	1,377	11	359	178	56	1,625
2. Development costs	7,575	–	1,923	–	–	9,498
3. Goodwill	5,832	–	–	–	–	5,832
4. Advances to suppliers	2	1	55	–	–56	2
	14,786	**12**	**2,337**	**178**	**–**	**16,957**
II. Property plant and equipment						
1. Land and buildings	39,747	1,307	408	45	375	41,792
2. Machinery	30,699	1,062	320	1,078	861	31,864
3. Furniture and fixtures and office equipment	30,984	516	825	1,312	519	31,532
4. Advances to suppliers and construction in progress	436	77	1,585	7	–1,756	335
	101,866	**2,962**	**3,138**	**2,442**	**–1**	**105,523**
III. Investment property	**6,230**	**–**	**–**	**11**	**1**	**6,220**
IV. Financial assets						
1. Investments in subsidiaries	–	–	540	–	–	540
2. Other investments	287	–	–	287	–	–
3. Securities	49	–	–	49	–	–
	336	**–**	**540**	**336**	**–**	**540**
	123,218	**2,974**	**6,015**	**2,967**	**–**	**129,240**

					Accumulated depreciation		Net book value
Status Jan. 01, 2006	Curreny adjustments	Addition	Retirement	Reclassification	Status Dec. 31, 2006	Status Dec. 31, 2006	Status Dec. 31, 2005
1,034	23	182	178	–	1,061	564	343
4,402	–	1,351	–	–	5,753	3,745	3,173
2,918	–	–	–	–	2,918	2,914	2,914
–	–	–	–	–	–	2	2
8,354	**23**	**1,533**	**178**	**–**	**9,732**	**7,225**	**6,432**
18,157	251	961	45	10	19,334	22,458	21,590
22,397	728	1,676	937	–	23,864	8,000	8,302
26,535	401	1,713	1,223	–10	27,416	4,116	4,449
19	2	–5	–	–	16	319	417
67,108	**1,382**	**4,345**	**2,205**	**–**	**70,630**	**34,893**	**34,758**
1,461	**–**	**93**	**–**	**–**	**1,554**	**4,666**	**4,769**
–	–	–	–	–	–	540	–
–	–	–	–	–	–	–	287
5	–	–	5	–	–	–	44
5	**–**	**–**	**5**	**–**	**–**	**540**	**331**
76,928	**1,405**	**5,971**	**2,388**	**–**	**81,916**	**47,324**	**46,290**

Statement of equity changes

in the Dürkopp Adler Group from Jan. 1, 2006 to Dec. 31, 2007

	Equity allotted to shareholder of Dürkopp Adler AG				
	Subscribed capital	Capital reserves	Earned group equity	Accumulated other Group profit/loss	
(in thousand EUR)				Other neutral transactions	Currency translations
As of Jan. 1, 2006	20,963	8,112	–8,041	–	137
Net profit/loss for period	–	–	5,206	–	–
Currency translation	–	–	–	–	1,208
Market appraisal financial instruments	–	–	–	120	–
Capital contribution third companies (DA DAFUJI)	–	–	–	–	–
Aquisition of minority interests Minerva	–	–	3	–	–
As of Dec. 31, 2006	**20,963**	**8,112**	**–2,832**	**120**	**1,345**
Net profit/loss for period	–	–	2,640	–	–
Currency translation	–	–	–	–	169
Market appraisal financial instruments	–	–	–	–120	–
As of Dec. 31, 2007	**20,963**	**8,112**	**–192**	**–**	**1,514**

Total	Minority shareholding Minority Capital	Accumulated other Group profit/loss Currency translations	Total	Group equity
21,171	915	119	1,034	22,205
5,206	45	–	45	5,251
1,208	–	57	57	1,265
120	–	–	–	120
–	307	–	307	307
3	–5	–	–5	–2
27,708	**1,262**	**176**	**1,438**	**29,146**
2,640	–39	–	–39	2,601
169	–	29	29	198
–120	–	–	–	–120
30,397	**1,223**	**205**	**1,428**	**31,825**

Cash flow statement

of the Dürkopp Adler Group

(in million EUR)	2007	2006
Result for the year	2.6	5.3
Income tax expenses	1.4	1.2
Interest expenses	3.5	4.0
Depreciation of assets	6.5	6.0
Change of deferred taxes	2.9	0.1
Increase (+) / decrease (–) of non-current provisions	–1.4	–2.2
Non-cash income and expenses	–0.2	1.9
Increase (+) / decrease (–) in current provisions	–0.3	2.6
Profit (–) / loss (+) on the disposal of assets	–0.2	0.1
Increase (–) / Decrease (+) in inventories, trade receivables and other assets that are not allocated to investment and financing activity	–7.9	3.1
Increase (+) / decrease (–) in trade payables and other liabilities that are not allocated to investment and financing activity	2.9	–1.5
Interest paid (–) / received (+)	–1.7	–2.1
Income taxes paid (–) / refunded (+)	–0.5	–0.1
Cash flow from operating activities	**7.6**	**18.4**
Payments received from the disposal of assets	0.5	0.2
Payments received from the disposal of financial assets	–	0.3
Payments made on investments in intangible assets	–2.7	–2.4
Payments made on investments in tangible assets	–3.0	–3.1
Payments made from investments consolidated according to equity method	–1.1	–0.6
Cash flow from investment activities	**–6.3**	**–5.6**
Payments received from borrowings	0.3	–
Payments made on amortizing loans	–3.0	–3.1
Cash flow from financing activities	**–2.7**	**–3.1**
Payments affecting changes in liquid funds	–1.4	9.7
Dependent on exchange rate and other change in value of liquid funds	–	–
Liquid funds at the beginning of the period	17.5	7.8
Liquid funds at the end of the period	**16.1**	**17.5**

Notes

relating to the consolidated financial statement of the Dürkopp Adler AG for the financial year 2007

General information
Since July 1 2005 ShangGong (Europe) Holding Corp. GmbH is the majority shareholder in the Dürkopp Adler AG with a 94.83% stake. ShangGong (Europe) Holding Corp. GmbH is a 100% subsidiary of the SGSB Group Co., Ltd., Shanghai.

The Dürkopp Adler Group is divided into the corporate business units of Sewing Technology and Materials Handling. Sewing Technology focuses globally on the development, production, processing and sales of industrial sewing machines, automats and systems for target groups in the clothing, shoe, automobile supply and upholstery industries, as well as in processing technical textiles. Materials Handling is concerned with the flow of materials and holistic technical solutions for logistics chains in the target groups automobile suppliers, clothing producers and clothing retail in Europe.

Group relationships
Dürkopp Adler AG is under the direct and uniform control of ShangGong (Europe) Holding Corp. GmbH, Bielefeld, and indirectly under the control of the SGSB Group Co. Ltd. Shanghai. It is included in the consolidated report of ShangGong (Europe) Holding Corp. GmbH, Bielefeld, (narrow group) and in the consolidated report of SGSB Group Co. Ltd., Shanghai, (wider group).

Documents pertaining to ShangGong (Europe) Holding Corp. GmbH, Bielefeld that are subject to disclosure are published in the Electrical Federal Gazette.

Accounting principles
The consolidated financial statements of Dürkopp Adler AG as per 31 December 2007 were prepared in compliance with the International Financial Reporting Standards (IFRSs). The report takes into consideration both obligatory standards of the International Accounting Standards Board (ISAB) in London, applicable on the reporting date, and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) valid for the business year and additional regulations applicable under German commercial law pursuant to Article 315a, para 1 of the German Commercial Code, HGB. Requirements of the standards and interpretations applied were fulfilled without exception and the information presented herein represents a faithful account of the Group's financial position, financial performance and cash flows.

The consolidated financial statements are published in the Electrical Federal Gazette.

The Dürkopp Adler AG business year, and that of subsidiaries included in the consolidated financial statements, corresponds to the calendar year.

The consolidated financial statements were prepared in euros. The income statement follows the cost of sales (function of expense) method. Unless indicated to the contrary, all figures are provided in thousand euro units.

The consolidated financial statements and the Group management report were approved by the Executive Board on March 5, 2008 to be forwarded to the Supervisory Board.

First-time adoption of reporting standards
In 2007, the following standards and/or changes to standards were adopted for the first time: Amendment to IAS 1 Presentation of Financial Statements: Statement of Capital and IFRS 7 Financial Instruments: Statements.

Also adopted for the first time were the following interpretations: IFRIC 7: Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies'; IFRIC 8: Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10: Interim Reporting and Impairment. The new and/or changed regulations did not have any significant effect on the consolidated financial statements. IFRS 7 Financial Instruments: Statements, and the amendment to IAS 1 Presentation of Financial Statements: Statement of Capital are reflected in additional Notes.

Newly issued accounting guidelines not applied accounting regulations
The IASB has issued the following standards, interpretations and amendments to existing standards. The use of these is not mandatory and they have not been applied by Dürkopp Adler AG. The application of these IFRSs presupposes that will be accepted by the EU within the scope of an IFRSs endorsement.

IFRIC 11 Group internal companies and companies with own shares, according to IFRS 2	Obligatory for financial years beginning on or after March 1, 2007
IFRS 8 Operational segments	Obligatory for financial years beginning on or after January 1, 2009

Based on current estimates, the initial application of these regulations will not have a major influence on the presentation of the financial statements.

Scope of consolidation
All companies included in the Dürkopp Adler AG consolidated financial statements are companies over which Dürkopp Adler AG can directly or indirectly determine financial and corporate policy (control relation). These companies are included in the consolidated report from the time Dürkopp Adler AG assumed control options. If such control is no longer an option, the company is to be excluded from the group of consolidated companies.

In addition to the financial statements of the parent company, the consolidated report also includes the financial statements of the following subsidiaries.

	Capital share %
Dürkopp Fördertechnik GmbH, Bielefeld, Germany	100.00
Adler Industrienähmaschinen Verkauf GmbH, Bielefeld, Germany	100.00
Beisler GmbH, Hösbach, Germany	100.00
Dürkopp Adler France S.A.S., Paris, France	100.00
Dürkopp Adler Italia S.r.l., Milan, Italy	100.00
Dürkopp Adler Polska Sp. z o.o., Wroclaw, Poland	100.00
S.C. Dürkopp Adler masini de cusut S.R.L., Sangeorgiu de Mures, Romania	100.00
Minerva Boskovice, a.s., Boskovice, Czech Republic	87.99
Dürkopp Adler Mexico S.A. de C.V., Mexico City, Mexico	99.98
Dürkopp Adler America, Inc., Atlanta, USA	100.00
Dürkopp Adler Far East Ltd., Hong Kong, China	100.00
Dürkopp Adler International Trading (Shanghai) Co., Ltd., i. L., Shanghai, China	100.00
Dürkopp Adler DaFuJi (Dalian) Sewing Machines Co., Ltd., Dalian, China	75.00

All companies are included in the consolidated financial statement using the full consolidation method.

Dürkopp Adler Austria GmbH is excluded from consolidation due to liquidation proceedings Dürkopp Adler Ukraina Ltd. is excluded after having been sold for EUR 1.00 in 2007. The following companies were included in the consolidated financial statement on the basis of the equity method.

	Capital share %
Dürkopp Adler Trading (Shanghai) Co., Ltd., Shanghai, China	25.00
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd., Shanghai, China	30.00

The changes in consolidation had no significant effect on the Group’s financial position, financial performance and cash flows.

Details of the major direct and indirect affiliated companies pertaining to Dürkopp Adler AG are listed in a separate Annex to the Notes.

Principles and methods of consolidation
The consolidated financial statements are based on financial statements prepared for Dürkopp Adler AG and consolidated subsidiaries in accordance with uniform accounting policies.

Capital consolidation was performed by offsetting the acquisition costs against the proportional re-valued equity capital at the time the subsidiary was acquired.

The investment of non-Group third parties in the equity of the consolidated companies is listed separately in the equity held by shareholders of Dürkopp Adler AG.

Assets and liabilities denominated in foreign currencies are recognized at cost using the conversion rate valid on the date the acquisition was realized.

Intercompany sales revenues, expenses and revenues, receivables and payables were eliminated.

Interim profits from intercompany transactions of goods and services – if not insignificant – and intercompany investment income were adjusted and recognized in income. Intercompany transactions were carried out at market conditions.

Deferred taxes have been recognized for consolidation measures that have an effect on income.

Currency translation

Transactions carried out in foreign currencies in consolidated financial statements are carried using the conversion rate at the time they were initially recognized. Cash items are recognized at the mean rate. Gains and losses resulting at the balance sheet date are recognized as income.

Financial statements of international subsidiaries prepared in foreign currencies are translated to euro in line with the concept of the functional currency. The functional currency of consolidated companies corresponds to their relevant country currency, since in financial, economic and organizational terms these companies manage their business activities independently. Assets and liabilities are translated suing the closing rate method; equity is translated at the closing rate as per the balance sheet date, whereas subscribed capital is translated at historical rates. Items in the income statement are translated using the average exchange rate for the month. Resulting differences are recognized directly at equity until the subsidiary is sold.

Conversion rates used for currency translations developed as follows:

Currency per EUR 1		Period-end rate		Average rate
	Dec. 31, 2007	Dec. 31, 2006	2007	2006
USD	1.47210	1.31700	1.37124	1.25540
CZK	26.62800	27.48500	27.75416	28.33868
RON	3.60770	3.38350	3.33881	3.52453
HKD	11.48000	10.24090	10.69741	9.75281
PLN	3.5935	3.83100	3.78288	3.89421
CNY	10.75240	10.27930	10.42324	10.00701

Accounting policies
The consolidated financial statements were prepared based on uniform accounting and valuation principles in compliance with IASB regulations.

Assets are capitalized when the Dürkopp Adler Group is entitled to all significant opportunities and risks associated with their use. Generally, assets are valued at carrying cost with the exception of accounting for corporate real estate, certain real estate held for investment and certain financial assets at a fair value in accordance with IAS 39.

In preparing the consolidated financial statements, assumptions and estimates have been necessary which have an effect on the recognition, measurement and disclosure of assets, liabilities, income and expenses. This takes account of all currently available insights Major assumptions and estimates are made in determining useful life and attainable amounts for fixed assets, the liquidability of receivables, in assessing the extent of completion when using the percentage-of-completion method and the accounting and measurement of provisions. In individual cases, actual values may deviate from estimates.

Non-current assets

Intangible assets
Intangible assets include goodwill and capitalized development costs, patents, software, licenses and similar rights.

Other intangible assets purchased payment are recognized at cost and amortized subsequent to straight-line depreciation over their foreseeable useful life, in as much as there are no subsequent impairment losses. Generally, useful life amounts to between 3 and 5 years.

Internally generated intangible assets are capitalized as long as there is apparent and reliable estimable use for the Group and the costs can be reliably measured. Production costs of internally-generated intangible assets are calculated on the basis of directly apportionable direct costs and on appropriate additional sums for overheads and depreciation.

Development costs are activated when a newly-developed product or procedure becomes clearly identifiable, is technically feasible and is planned either for internal use or for marketing. In addition, capitalization presumes that there is adequate likelihood of development costs being covered by future inflows of capital resources. Capitalized development costs are depreciated on a straight-line basis over a standard, expected product life cycle of five years. Research costs and development costs that may not be capitalized are expensed as they arise.

Plant, property and equipment

Plant, property and equipment is measured at cost less accumulated depreciation. If there reason(s) given for impairment losses carried out in prior years no longer apply, appropriate write-ups are carried out.

In accordance with IFRS 1.16, a fair value estimated at the time of transition to IFRS replaces recognized cost for the company's use of property in Bielefeld for operational and business purposes.

The costs of internally generated property, plant and equipment are determined on the basis of direct costs and appropriate additional sums for product-related overheads and depreciation. Financing costs for the period of production are not included.

Low-value assets (purchase or production cost of up to EUR 410) are depreciated in full in the year of accrual and disclosed as a disposal the year after.

Maintenance and repair costs for fixed assets are offset as expenses. Renewal and support costs are capitalized as retrospective production costs if they considerably extend the useful life, or lead to significant improvements, or a clear change in use of the asset.

If there are no impairment losses, scheduled depreciation follows the straight line method subject to the following useful lives:

Buildings	up to 50 years
Technical plant and machinery	up to 14 years
Other equipment and office equipment	up to 14 years

Leasing

A finance lease is a lease that transfers all the risks and rewards to the lessee that are incidental to ownership of an asset (IAS 17). If the economic ownership is transferred to the Dürkopp Adler Group, such assets are capitalized at the inception of the lease at fair value or at the lower present value of the minimum lease payments. Leased assets are depreciated on a straight-line basis over the economic useful life over the shorter lease term. The discounted present value of payment obligations from leasing payments is recognized as an expense. Leasing payments are divided into their elements – finance expenses and the repayment of the leasing debt – so that the remaining residual carrying amount of the leasing debt is subject to a constant rate of interest. Finance expenses are immediately recognized in the income statement.

In the case of operating leases, leasing payments are expensed directly in the income statement.

Investment property
In accordance with IFRS 1.16, a fair value estimated at the time of transition to IFRSs replaces purchase costs for property in Bielefeld not used for company own purposes. The measurement of the land is based negotiations with interested buyers and guidelines issued by the Bielefeld public authorities for industrial land. For subsequent measurement, investment property is measured at carrying cost.

Deferred tax assets
Expected tax reductions from estimated loss carryovers that are realizable in the future are capitalized. In measuring a capitalized asset for future tax relief, the probability of realizing the expected tax benefit is taken into account.

Financial assets
Investments in affiliated entities recognized as financial assets are accounted for in accordance with the equity method.

Impairment of assets (Impairment test)
At each balance sheet day, the Group reviews the carrying value of its intangible assets, property, plant and equipment, and financial assets to determine whether there are signs of impairment loss. If such evidence exists, a recoverable amount is estimated covering the extent of the impairment loss. Irrespective of the presence of such evidence, goodwill is subject to an impairment test at each and every balance sheet date.

An impairment is recognized as income if the recoverable amount exceeds the carrying amount.
In principle, the recoverable amount is assessed for each asset. If this is not possible, the amount is determined on the basis of a group of assets or on the legal unit. The recoverable amount is the higher of the asset's net sales value or its utility value. The net sales value corresponds to the recoverable value from the sale of an asset at standard market conditions less selling costs. The utility value is assessed on the basis of an estimated future cash flow from the use and the disposal of an asset.

If the reason for impairment losses in prior years no longer applies, a reversal of impairment losses is to be carried out, with the exception of goodwill, up to a maximum of the carrying amount.

Current assets

Inventories
Inventories are recognized at the lower of the cost or the net selling price. Production costs are assessed on the basis of normal deployment. Production costs comprise directly attributable costs as well as production-related overhead costs relating to materials and manufacture, including production-related depreciation. Borrowing costs are not capitalized as part of costs. Stock risks resulting from a reduced usability are taken into account by applying appropriate impairment losses. Lower values on the reporting date due to declining net selling prices are applied. As soon as a net selling price increases for inventories previously devalued the resulting reversal of an impairment loss is recorded as a reduction in material expenses.

All recognizable warehousing and stock risks are taken into account through adequately calculated value corrections.

Receivables and other assets
In principle, receivables and other assets are carried at their rolled forward purchase costs. Any receivables risks are taken into account by appropriate allowances. Receivables in foreign currencies are valued at the mean rate on the balance sheet date. Gains and losses from currency translations are recognized as income.
Value reductions are carried out for recognizable individual risks; existing credit risk is taken into appropriate account based on experience.

In compliance with IAS 39, financial assets are initially measured at cost on the day of trading.

When acquired, derivative financial instruments are carried at cost and measured at their fair value on subsequent balance sheet dates.

Changes in derivative financial instruments that do not fulfill the criteria for accounting for hedging business in the balance sheet are recognized as income in the period in which they arise.

Specific customer production orders
Pursuant to IAS 11, specific customer production orders in the Material Handling business unit follow the percentage-of-completion method and the amounts realized are indicated in sales revenues. In as far as the total figure for order costs incurred and profit exceed customer payments received, production orders are capitalized under future receivables from production orders. Should the addition of order costs incurred, profit and customer payments received reveal a negative balance, this is posted in liabilities from production orders.

The percentage-of-completion is assessed on the basis of the cost-to-cost method. If the result of a production order cannot be reliably assessed, revenues amounting to the order costs incurred are listed – the so-called zero-profit method. Principles of loss-free valuation are complied with.

Non-current liabilities

Pension provisions

Provisions for pensions are set aside for commitments to pension, invalidity and surviving dependent benefits. Provisions are set aside solely for performance-based benefit commitments for which the company guarantees a defined level of benefit to employees.

The basis for measuring benefit commitments includes actuarial calculations and assumptions. Performance-based benefit commitments are determined according to the projected unit credit method. In addition to the present value of pension obligations at the balance sheet date, this method accounts for future salary and benefit increases by an assumed trend rate.

Actuarial gains and losses not exceeding 10 percent of the present value of commitment are not accounted for. The proportion of actuarial gains and losses exceeding 10 percent of the present value of the commitment (the 'corridor') are amortized over the average remaining service period for the employees (12 years at Dürkopp Adler AG and 16 at Dürkopp Fördertechnik GmbH).

Deferred tax liabilities

Deferred taxes are recognized by the balance sheet-oriented liability method in compliance with IAS 12. Accordingly, all temporary differences between carrying amounts of assets and liabilities in the consolidated financial statements and their tax values are offset against tax carry forwards likely to be used in the future.

As of December 31, 2007, deferred taxes relating to domestic companies were assessed at a total tax rate of 31.06%.

The assessment of international income taxes is based on laws and regulations applying in the individual countries.

Current liabilities

Current provisions

Provisions are set aside for current third-party liabilities, which will probably lead to a cash outflow. After taking all recognizable risks into consideration, they are measured at a foreseeable recoverable amount and not offset against rights of recourse. Provisions are only set aside if they are subject to legal or factual obligations towards third parties.

Liabilities

Financial debts are recognized at amortized cost. Derivative liability items are recognized at fair value.

Contingent liabilities
Contingent liabilities represent possible third-party obligations resulting from past events whose existence still needs to be confirmed either through the occurrence, or non-occurrence, of one or more uncertain events in the future. Furthermore, also relating to past events, contingent liabilities can arise from a current obligation, which, however, have not been presented either because the outflow of resources is seen as improbable, or the extent of the liability cannot be estimated dependably.

Recognition of income and expenses
Sales revenues are recognized at fair value of the consideration or receivable received and relate to amounts for goods supplied and services rendered in the course of normal business activity, with adjustments for discounts and value-added tax.

To a less extent, sales and expenses from production orders are accounted for in accordance with the percentage-of-completion method, in which sales are posted based on the degree of completion.

The recognition of sales revenues and other operating income is based on when deliveries and services were supplied and when the major rewards and risks were transferred to the customer.

Operating expenses are expensed when the service is rendered, or when it was caused. Interest income and interest expenses are proportionally recognized, or expensed, taking account the capital/loan amount and the applicable rate of interest.

Notes

on the consolidated balance sheet

(1) Intangible assets
The development of individual items of other intangible assets is presented in the statement of changes in non-current assets.

Unchanged goodwill of EUR 2.9 million results from the 1998 acquisition of Beisler GmbH and is subject to a scheduled impairment test in accordance with IAS 39.

The calculation of the fair value was subject to the estimated use value on the basis of Sewing Technology as the payment-generating entity. The value use was derived from the budgeted cashflows.

Until 2010, the discount rate is based on the weighted average cost of capital of 8.75%. Thereafter, a growth discount of 1% was offset in the sustained result.

As of December 31, 2007, the carrying amount of capitalized internally-generated intangible assets amounted to EUR 4,605 thousand (prior year: EUR 3,745 thousand. Capitalized development costs refer to the development of machines in the Sewing Technology business unit.

Other intangible assets are depreciated over a maximum of five years.
Impairment losses of EUR 190 thousand (prior year: EUR 0) were recorded.

(2) Property, plant and equipment
The development of individual items of fixed assets in presented in the statement of changes in non-current assets.

Property, plant and equipment according to carrying amount:

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
Land and buildings	21,341	22,458
Technical plant and machinery	8,089	8,000
Other equipment and office equipment	3,813	4,116
On-account payments and equipment under construction	174	319
Property, plant and equipment	33,417	34,893

Planned straight-line depreciation is primarily based on the following useful lives:

Buildings	20 to 50 years
Technical plant and machinery	5 to 14 years
Office equipment	3 to 14 years

Impairment losses of EUR 397 thousand (prior year: EUR 9 thousand) were carried out.

At the reporting date restraints on ownership or disposal amounted to EUR 427 thousand (prior year: EUR 2,658 thousand).

Depreciation methods and useful lives for finance leases correspond to comparable purchased assets.

(3) Investment property
This primarily concerns land intended for sale at the Oldentrup, Germany site of roughly 85,000m² and the building that used to house the exhibition and training center, which is partially leased out but otherwise not currently used for company operations. Measurement follows the purchase cost model. The building is depreciated at 4% pa. The remaining useful life amounts to five years.

At Dürkopp Adler Italia S.r.L., ownership of commercial real estate in Bari valued at EUR 120 thousand was recorded in this balance sheet item. For the year under review, an impairment loss of EUR 45 thousand was recorded, reflecting an adjustment to the market value.

In the year under review, rentals amounted to EUR 100 thousand. At the same time, operational expenses for maintenance totaled EUR 95 thousand.

The carrying amounts recorded correspond to the fair values of the real estate.

(4) Financial assets
The development of individual items of financial assets in presented in the statement of changes in non-current assets.

Investments in affiliated companies accounted for according to the equity method amount to EUR 272 thousand and relate to a 25% interest in the joint venture Dürkopp Adler Trading (Shanghai) Co. Ltd., Shanghai. This company was included in the consolidated financial statement under the equity method for the first time in 2007. The basis of consolidation are the last available closing figures from December 31, 2006 that indicate a loss from equity interests of EUR 9 thousand. Furthermore, the equity interest was reduced by EUR 15 thousand due to exchange rate effects that do not affect the results.

The 30% stake in Dürkopp Adler Manufacturing (Shanghai) Co. Ltd. amounting to EUR 2,184 thousand was also consolidated according to the equity method as per closing figures presented on 31 December, 2006. This resulted in a profit from equity interests of EUR 0.4 thousand and exchange rate effects that do not affect the results of EUR –23 thousand.

The financial information for the interests (not adjusted to the stake held by Dürkopp Adler) accounted for in accordance with the equity method amount is summarized as follows:

(in thousand EUR)	Dec. 31 2007
Total assets	3,502
Total liabilities and provisions	1,678
	2007
Sales	1,914
Loss after taxes	–34

Current assets

(5) Inventories

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
Raw materials and supplies	16,763	14,859
Work in progress	11,706	10,605
Finished goods and services	10,984	8,660
On-account payments	7	29
Inventories	**39,460**	**34,153**

Individual value reductions have been carried out for all inventories wherever realizable earnings from their sale or use are lower than carrying amounts. Net selling revenues are based on the foreseeable recoverable sales revenues less costs of selling. If the reasons for value reductions in inventories no longer apply, appropriate write-ups are carried out. Allowances on inventories totaled EUR 9,144 thousand (prior year: EUR 9,379 thousand).

There are significant restraints on ownership or disposal for the inventories of EUR 4,429 thousand (prior year: EUR 2,494 thousand).

(6) Receivables and other assets

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
Receivables from production orders	0	431
Receivables	29,311	26,467
Other current financial assets	1,666	1,358
Income tax claims	398	260
Other current non-financial assets	883	1,750
Receivables and other assets	**32,258**	**30,266**

Receivables from production orders carried in accordance with the percentage-of-completion method amounted to the following:

Order production

(in thousand EUR)	2007	2006
Costs of order production	3,516	4,019
Estimated profit element	524	0
Order revenues	**4,040**	**4,019**
Less on-account payments	–4,040	–3,588
Total receivables	**0**	**431**

Accounts receivable include EUR 1,916 thousand (prior year: EUR 928 thousand) for receivables against companies consolidated in line with the equity method.

Categorized in maturities and allowances, receivables are divided as follows:

(in thousand EUR)	Net carrying amount	Of which due on reporting date	Allowances on reporting date	Overdue in the following time periods < 90 days	Between 91 and 180 days	Between 181 and 360 days	Between 1 and 5 years	> 5 years
As per Dec. 31, 2007								
No impairment	27,952	2,990	–	1,512	931	302	245	–
Impairment	1,359	1,359	5,685	–	25	131	1,203	–
Total	**29,311**	**4,349**	**5,685**	**1,512**	**956**	**433**	**1,448**	**–**
As per Dec. 31, 2006								
No impairment	24,501	3,442	–	1,409	1,302	472	259	–
Impairment	1,966	1,966	6,237	261	95	127	1,483	–
Total	**26,467**	**5,408**	**6,237**	**1,670**	**1,397**	**599**	**1,742**	**–**

Up to 180 days credit is granted on sales. Thereafter, default interest of 8% p.a. is charged to outstanding amounts.

Before starting business relations, a customer's creditworthiness is checked and credit limits set. These are regularly monitored. There are no significant credit risks in this respect since the client base is quite broad.

Allowances have developed as follows:

(in thousand EUR)	2007	2006
Allowances at the start of the financial year	6,237	4,119
Increase in specific allowances	233	2,454
Utilization of specific allowances	–38	–39
Reversal of specific allowances	–712	–293
Currency differences	–35	–4
Allowances at the end of the financial year	**5,685**	**6,237**

Allowances are initially recorded on the basis of the creditworthiness of individual customers. In a second step, based on the portfolio, generalized specific allowances are set corresponding to the time periods of default.

Allowances covering accounts receivable for EUR 27,952 thousand (prior year: EUR 24,501 thousand) were not recognized since payments were expected given the creditworthiness of the customers concerned. Security for the open items was not held. The maximum credit risk is limited to the carrying amount of the receivables, less the respective value-added tax.

Non-recoverable receivables were derecognized without affecting the allowance account. Expenses arising from this totaled EUR 173 thousand (prior year: EUR 72 thousand).

The carrying amounts correspond to the fair value.

There are no receivables and other assets with a remaining term of more than one year.

(7) Cash

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
Cash at banks	16,067	17,493
Cash balance	59	48
Cash	**16,126**	**17,541**

Of cash recognized, EUR 1 million is pledged to a bank as security for sureties.

Equity

The development of equity in the Dürkopp Adler Group is presented in the statement of changes in equity.

(8) Subscribed capital
The company's fully paid up stock capital remains unchanged at EUR 20,962,967.13 and is divided into 8,200,000 no-par shares issued in the name of the shareholder, each representing a nominal value of EUR 2.56.

With a term until June 17, 2008, Dürkopp Adler AG holds Authorized Capital I amounting to EUR 7,669,378.22 for stock issued against cash and Authorized Capital II amounting to EUR 2,045,167.52 for stock issued against cash or contributions in kind Given the approval of the Supervisory Board, the Executive Board can exclude the subscription rights of shareholders in respect of Authorized Capital II in a bid to issue new stock at a price which does not significantly exceed the stock market price.

Moreover, the Executive Board of Dürkopp Adler AG is also authorized to increase stock capital by June 17, 2008 through a stock issue of EUR 511,291.88 by issuing employee stock to employees of the company and the Group (conditional capital). Here, shareholder subscription rights are excluded.

(9) Additional paid-in capital
These capital reserves concern the payment made in 1999 to the former principal shareholder of Dürkopp Adler AG as part of a 'give out, pay back' procedure in accordance with Article 272, para. 2, No. 4 of the German Commercial Code.

(10) Retained earnings
Retained earnings concern legally retained earnings of Dürkopp Adler AG and other retained earnings. They include allocations from previous years' profits and profit-neutral currency differences from year-end reports of international subsidiaries.

The market changes from derivative financial instruments and currency changes from original hedging activities amounting to EUR 120 thousand recognized under retained earnings in 2006 were reversed and recognized in income in 2007.

(11) Minority interests
The balancing item comprises the proportion allocated to external shareholders of the capital, open provisions and of profits and losses of consolidated Group companies. Minority interest in equity principally concerns stock held by external shareholders at Minerva Boskovice, a.s., Boskovice, Czech Republic and in Dürkopp Adler DaFuJi (Dalian) Sewing Machines Co. Ltd., Dalian, China.

Non-current liabilities

(12) Pension provisions

The corporate pension plan within the Dürkopp Adler Group is based on benefit commitments covered by provisions. Pension provisions accrue exclusively to benefit commitments of Dürkopp Adler AG and Dürkopp Fördertechnik GmbH. As the same time, they comprise the indirect obligation of Dürkopp Adler AG as the sponsor of the benevolent fund Dürkopp Adler e. V., Bielefeld, Germany.

The extent of benefits granted is commensurate with years of service, in as far the employees joined the company before October 31, 1997. In addition there are individual arrangements for Board members and senior staff.

Major actuarial premises applied in the Dürkopp Adler Group:

	Dec. 31 2007	Dec. 31 2006
Discount rate	5.5 %	4.5 %
Salary trend rate	2.0 %	2.0 %
Benefit trend rate	1.5 %	1.5 %
Best-estimate actuarial assumptions	Actuary charts 2005 G Klaus Heubeck	Actuary charts 2005 G Klaus Heubeck

Development of the Defined Benefit Obligation (DBO)

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005
Defined Benefit Obligation	40,888	46,605	49,565
actuarial losses (–)/gains (+) not yet recorded	1,567	–2,556	–3,830
Balance	**42,455**	**44,049**	**45,735**
Experience adjustments (gains) of the plan's debts	57	–	–

Development of provisions for pension obligations

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
Provisions as per Jan. 1	**44,049**	**45,735**
Net pension expenses	2,067	2,127
Pension payments	–3,661	–3,813
Provisions as per Dec. 31	**42,455**	**44,049**

The composition of amounts recorded in the income statement can be seen in the table below.

Expenses from pension obligations

(in thousand EUR)	2007	2006
Service cost	49	76
Interest expenses	2,018	2,051
Expenses from pension obligations	**2,067**	**2,127**

(13) Other non-current provisions

(in thousand EUR)	as per Dec. 31 2006	Currency differences	Interest	Accruals	Utilization	Disposal	as per per Dec. 31 2007
Anniversary expenses	226	–	–	2	–	–	228
Wage agreement	860	–	–	457	–	–	1,317
Partial retirement	119	–	2	–	69	–	52
Impending losses	873	–85	38	–	90	52	684
Other	561	45	–	–	–	9	597
Total	**2,639**	**–40**	**40**	**459**	**159**	**61**	**2,878**

The discount rate applied to recognizing provisions recorded with regard to personnel amounts to 5.5% p.a. (prior year: 5.5%), for other provisions the rate is 4.75% p.a. (prior year: 4.75% p.a.).

(14) Financial liabilities

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
1 to 5 years	12,019	12,019
Over 5 years	17,014	20,019
Total	**29,033**	**32,038**

Non-current financial liabilities concern an unsecured loan from ShangGong (Europe) Holding Corp. GmbH to Dürkopp Adler AG with a remaining term of over one year. Current financial liabilities indicate the repayments for 2008. An interest rate of 6% has been agreed for the loan over the whole term. The first installment of EUR 3.0 million was repaid on December 1, 2006. Eight further annual installments of EUR 3.0 million are due from June 30, 2008. After June 30, 2015, negotiations are to be held on the repayment of the remaining EUR 8 million.

The carrying amount corresponds to the fair value.

(15) Current liabilities
Current provisions

(in thousand EUR)	as per Dec. 31 2006	Currency differences	Accruals	Utilization	Disposal	as per Dec. 31 2007
Personnel	**4,087**	**–9**	**3,173**	**3,386**	**139**	**3,726**
of which partial retirement	273	–	59	279	–	53
Other provisions	**5,426**	**–20**	**4,722**	**3,475**	**1,160**	**5,493**
of which single guarantee	1,606	–	1,656	1,141	–	2,121
of which bonus voucher	1,060	–	615	542	518	615
of which outstanding accounts	208	–	225	31	21	381
Total	**9,513**	**–29**	**7,895**	**6,861**	**1,299**	**9,219**

Current liabilities

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
Trade accounts payable	**5,594**	**6,052**
On-account payments received for orders	**5,605**	**3,758**
Trade accounts payable to affiliated companies	**136**	**58**
Financial liabilities	**7,546**	**3,944**
Liabilities to banks	961	606
Other financial liabilities	6,584	3,338
of which to employees	714	651
of which taxes	1,182	946
of which as part of social security	689	699
of which to affiliated companies	3,966	1,036
Other	34	6
Other non-financial liabilities	**996**	**821**
Income taxes	**1,873**	**1,115**
Total	**21,750**	**15,748**

Of total liabilities to banks, EUR 958 thousand (prior year: EUR 490 thousand) is secured by liens.

The carrying amounts of liabilities correspond to their fair value.

Notes
on the consolidated income statement

(16) Sales revenues
Sales include revenues from sales of products and services reduced by revenue deductions. Sales revenues are disclosed at the time of the transfer of risk. Revenues from orders resulting from the application of the percentage-of-completion method for specific production orders amount to EUR 4,040 thousand (prior year: EUR 4,019 thousand).

(17) Costs of services rendered
The costs of services rendered comprise the costs of goods and services sold and maintenance costs of good sold. In addition to directly attributable product-related costs of materials and production, costs of services rendered consist of indirect overheads including the proportional wear and tear of the fixed asset.

(18) Cost of selling
In addition to the costs of the sales organization and for distribution, costs of selling primarily included expenses for advertising, sales promotion and market research. This item also includes application consultancy at customer's premises.

(19) Research and development costs
Research and development costs include expenditures for general development work and product enhancements, while development expenses for new products are capitalized under intangible assets.

(20) General administration costs
Administrative costs acknowledge the proportional personnel and material costs from the Group steering, personnel, accounting and IT departments.

(21) Other operating income

(in thousand EUR)	2007	2006
Revenue from disposals	286	59
Revenues from reversing accruals and canceling allowances	2,037	908
Capital gains	875	1,939
Miscellaneous revenues	871	991
Total	**4,069**	**3,897**

Other operating revenues contain prior period revenues of EUR 2.177 thousand (prior year: EUR 978 thousand).

(22) Other operating expenses

(in thousand EUR)	2007	2006
Expenses for pension schemes	63	436
Performance-related bonuses	992	1,164
Allowances for receivables and bad debt losses	406	2,526
Capital losses	1,332	2,546
Other	2,649	2,104
Total	**5,442**	**8,776**

Other operating expenses contain prior period expenses of EUR 7 thousand (prior year: EUR 19 thousand).

(23) Financial result

(in thousand EUR)	2007	2006
Loss from equity interests accounted for under the equity method	–9	–
Interest and similar income		
from third parties	583	348
Other financial revenues	14	22
Interest		
to affiliated companies	–1,922	–2,088
to third parties	–198	–229
Interest expenses on pension provisions	–1,991	–2,051
Total	**–3,523**	**–3,998**

(24) Taxes on income

(in thousand EUR)	2007	2006
Earning before taxes	**6,881**	**6,355**
Current taxes	–1,437	–1,196
Deferred taxes from balance sheet differences	–500	–980
Deferred taxes from loss carryovers	–2,343	1,072
Taxes on income	**–4,280**	**–1,104**

Deferred taxes contain the effects of tax reforms on companies that come into force in 2008.

Current taxes contain EUR 50 thousand of tax refunds relating to prior periods (prior year: EUR 92 thousand payment on arrears).

Allocation of tax accruals and deferrals

	Deferred taxes – assetsn		Deferred taxes – liabilities	
(in thousand EUR)	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006
Intangible assets and property, plant and equipment	78	294	–3,809	–4,227
Investment property	–	–	–1,373	–1,778
Inventories	2,535	3,468	–	–
Other receivables and other assets	272	141	–163	–565
Pension provisions	2,370	3,057	–	–
Other non-current liabilitiesn	329	419	–32	–
Current liabilities	55	128	–1,551	–1,621
Loss carryovers	3,055	6,196	–	–
	8,694	**13,703**	**–6,928**	**–8,191**
Net balance	–3,646	–4,897	3,646	4,897
Allowances on deferred taxes on loss carryovers	–771	–1,570	–	–
Allowances on other deferred taxes	–	–93	–	–
Balancing items	**4,277**	**7,143**	**–3,282**	**–3,294**

Deferred taxes are recognized as temporary differences arising between the IFRSs and tax accounts, on tax-related loss carryovers and consolidation procedures.

The basis for assessing whether capitalized deferred taxes are to recognized reflects the estimate of the probability that deferred tax assets are actually realizable in future. This probability has to exceed 50% and be supported by appropriate business plans.

Net balances apply to tax assets and tax liabilities to the same tax authority.

Taxation reconciliation

(in thousand EUR)	2007	2006
Anticipated tax expense	2,718	2,510
Deviations arising from changes in tax rates	66	98
Deviations in the basis of assessment	596	1,024
Prior period income tax	–50	92
Change of deferred taxes from balance sheet differences	908	980
Change of allowances on deferred taxes	–805	–3,723
Effects of 2008 tax reform	844	0
Other	3	123
Tax expense	**4,280**	**1,104**

(25) Gains/losses attributable to other shareholders
This concerns proportions of gains and losses attributable to other shareholders.

Gains amounted to EUR 105 thousand (prior year: EUR 47 thousand); losses amounted to EUR 144 thousand (prior year: EUR 2 thousand).

Additional information on the income statement/balance sheet

Material expenses

(in thousand EUR)	2007	2006
Expenses for raw materials and supplies	53,213	47,416
Expenses for services purchased	19,766	13,586
Total	**72,979**	**61,002**

Expenses for allowances
In the financial year, the following expenses for allowances were recognized in the income statement.

Impairment losses

(in thousand EUR)	2007	2006
Intangible assets and property, plant and equipment	–587	0
Investment property	–45	0

Allowances

(in thousand EUR)	2007	2006
Inventories	70	365
Receivables and other assets	479	–2,161

Personnel expenses

(in thousand EUR)	2007	2006
Wages and salaries	40,660	38,826
Social contributions and support expenses	10,897	10,440
Expenses for pension schemes	102	488
Total	**51,659**	**49,754**

Personnel structure

(Number)	2007	2006
Production and technology	1,384	1,350
Marketing/Sales	200	202
Research, development and application technology	94	90
Administration	107	111
Total	**1,785**	**1,753**

Contingent liabilities

There are liabilities arising from guarantees amounting to EUR 194 thousand (prior year: EUR 74 thousand).

Other financial liabilities

In total, there are liabilities from order obligations for investments (EUR 226 thousand; prior year: EUR 96 thousand), obligations from perennial leases (EUR 962 thousand; prior year: EUR 1,197 thousand), from operating leasing obligations (EUR 1,562 thousand; prior year: EUR 2,211 thousand), from sale-and-lease-back operations (EUR 2,057 thousand; prior year: EUR 2,588 thousand) totaling EUR 4,807 thousand (prior year: EUR 6,092 thousand).

Income of EUR 491 thousand (prior year: EUR 440 thousand) was earned from subleasing.

In the case of operating leases, leasing payments are expensed directly in the income statement.

In 2007, payments from operating leases amounted to EUR 896 thousand (prior year: EUR 1,390 thousand).

For property in Atlanta, USA, Dürkopp Adler America Inc. has concluded a sale-and-lease-back agreement. In 2007, leasing payments amounted to EUR 258 thousand (prior year: EUR 289 thousand). The agreement runs to September 30, 2015.

Finance leasing agreements at Minerva Boskovice a.s. incur financial obligations for minimum lease payments amounting to EUR 61 thousand.

As per the reporting date, assets from finance leasing have a carrying amount of EUR 128 thousand (prior year: EUR 0).

Future financial obligations are represented as follows:

(in thousand EUR)	Up to 1 year		1 to 5 years		Over 5 years		Total	
	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006
Lease agreements								
Future lease payments	497	492	465	705	–	–	962	1,197
Operating lease agreements								
Future leasing payments	871	1,163	691	1,048	–	–	1,562	2,211
Sale-and-lease-back								
Future leasing payments	258	289	1,048	1,163	751	1,136	2,057	2,588
Finance lease agreements								
Minimum lease payments	37	–	24	–	–	–	61	–
Discount	4	–	1	–	–	–	5	–
Present value of minimum lease payments	33	–	23	–	–	–	56	–

Financial instruments

a) Capital risk management
The prime goal in the managing economic capital of the Dürkopp Adler Group is to ensure the maintenance of the existing credit standing to support business activities and secure liquidity. The Group monitors its capital with the help of the equity rate, the relationship between equity and the balance sheet total. According to internal guidelines, we are looking to maintain an equity rate of over 30%.

b) Significant accounting policies
Details of the significant accounting policies applied, including the recognition criteria, the bases for valuation and the basis for recognizing income and expenses have been represented in the general part of the Annex, for example, for each class of financial assets and financial liabilities.

c) Carrying amounts of all measurement categories:

(in thousand EUR)	Carrying amount as per Dec. 31 2007	Financial assets valued at fair value		Loans and receivables	Financial liabilities recognized at amortized cost
		Recognized as income	Recognized at equity		
Assets					
Receivables	29,311	–	–	29,311	–
Other current financial assets	1,666	332	–	1,334	–
Cash	16,126	–	–	16,126	–
Liabilities					
Non-current financial liabilities	29,033	–	–	–	29,033
Accounts payable	5,594	–	–	–	5,594
On-account payments received on orders	5,605	–	–	–	5,605
Liabilities to affiliated companies	136	–	–	–	136
Current liabilities to banks	961	–	–	–	961
Other current financial liabilities	6,584	–	–	–	6,584

(in thousand EUR)	Carrying amount as per Dec. 31 2007	Financial assets valued at fair value		Loans and receivables	Financial liabilities recognized at amortized cost
		Recognized as income	Recognized at equity		
Assets					
Receivables	26,467	–	–	26,467	–
Other current financial assets	1,359	146	199	1,014	–
Cash	17,541	–	–	17,541	–
Liabilities					
Non-current financial liabilities	32,038	–	–	–	32,038
Accounts payable	6,052	–	–	–	6,052
On-account payments received on orders	3,758	–	–	–	3,758
Liabilities to affiliated companies	58	–	–	–	58
Current liabilities to banks	606	–	–	–	606
Other current financial liabilities	3,338	–	–	–	3,338

Carrying amount according to summarized categories:

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
Financial assets valued at fair value	332	345
Loans and receivables	46,771	45,022
Financial liabilities recognized at amortized cost	–47,912	–45,850
	–809	**–483**

d) Net gains and losses from financial instruments

Dec. 31 2007 (in thousand EUR)	Interest	Currency translation	Impairment	Disposal	Total
Loans and receivables	583	–789	479	–173	100
Assets valued at fair value	–	332	–	–	332
Financial liabilities recognized at amortized cost	–2,121	–	–	–	–2,121
Total	**–1,538**	**–457**	**479**	**–173**	**–1,689**

Dec. 31 2006 (in thousand EUR)	Interest	Currency translation	Impairment	Disposal	Total
Loans and receivables	348	–753	–2,161	–72	–2,638
Assets valued at fair value	–	146	–	–	146
Financial liabilities recognized at amortized cost	–2,317	–	–	–	–2,317
Total	**–1,969**	**–607**	**–2,161**	**–72**	**–4,809**

e) Currency risk management
Given the international orientation of the company and the growing importance of international markets, the Dürkopp Adler Group is exposed to currency risks.

Currency risks, i.e. potential impairment loss relating to a financial instrument due to changes in exchange rates, exist in particular where deliveries and services are agreed and invoiced in foreign currencies.

Currency hedging is carried out when the current rate corresponds to the budgeted rate. Hedged volumes result from planned sales with subsidiaries invoiced in a foreign currency. Currencies are hedged for single transactions carried out in foreign currencies with third parties when orders are placed.

Derivate financial instruments are used to hedge against currency risks. These instruments solely hedge currency risks from existing business. In the preceding financial year, risks were hedged by forward exchange contracts. Derivative financial business is subject to ongoing risk controls and are carried out under strict functional separation in trade, processing, documentation and control.

Terms of currency derivative normally cover periods of up to 12 months.

For receivables in foreign currencies, hedging is provided by banks in the form of forward exchange operations.

The nominal volume of forward exchange operations is the sum of all purchase and sales amounts not offset, valued at their relevant fulfillment rate. The market value was generally ascertained on the basis of the situation on the reporting date – at those values reflecting trading in the relevant derivative financial operations, or its quoted price, irrespective of any reverse trend in underlying transactions. The current value of forward exchange operations entered in the balance sheet results from the valuation of the hedged amount with the difference between the rate when the futures trading was concluded and the forward price on the reporting date.

At the reporting date, the following forward exchange contracts were held.

(in thousand EUR)	Nominal value Dec. 31 2007	Market value Dec. 31 2007	Average hedging rate Dec. 31 2007	Nominal value Dec. 31 2006	Market value Dec. 31 2006	Average hedging rate Dec. 31 2006
Forward exchange contracts						
USD	5,005	332	1.37452	13,722	354	1.29659
PLN	–	–	–	211	–9	4.00180
Total	**5,005**	**332**		**13,933**	**345**	

All forward exchange contracts are due in 2008.

In the consolidated balance sheet positive market values amounting to EUR 332 thousand (prior year: EUR 345 thousand) were posted under other financial liabilities.

The following applies for non-hedged foreign currency receivables.

If at December 31, 2007, the euro had been valued 10% higher for each of the currencies USD, PLN, HKD and CZK, profit would have been reduced by EUR 813 thousand (prior year: EUR 784 thousand).

If, at December 31 2007, the euro had been valued 10% lower, profit would have increased by EUR 993 thousand (prior year: EUR 958 thousand).

f) Default risk management

Default risk is the risk of loss when a contracting party defaults on its contractual obligations. The Dürkopp Adler Group solely maintains business relations with creditworthy contractual parties to minimize the risk of loss arising from non-performance of obligations. The risk situation is constantly being monitored. Credit risks are managed through the use of limits for each contractual party.

Accounts receivable exist with respect to a large number of customers operating in various industries and spread across many geographic areas. Regular credit assessments are carried out with respect to the financial status of receivables.

The Dürkopp Adler Group is not exposed to any significant default risk from any contractual party or group of contractual parties sharing similar characteristics. The default risk from liquid funds and derivatives is insignificant given the fact that the contractual parties are banks with first-class credit ratings.

g) Liquidity risk management

The Dürkopp Adler Group manages liquidity risks by holding adequate reserves, credit limits with banks and by monitoring forecast cashflows and coordinating maturity profiles of financial assets and liabilities. As per December 31, 2007, the Group held EUR 12.8 million of non-utilized credit limits provided to the Group to reduce future liquidity risks still further.

Financial liabilities lead to liquidity outflows as follows:

Dec. 31 2007 (in thousand EUR)	Carrying amount	Interest	Up to 1 year Repayment	Interest	1 to 2 years Repayment	Interest	3 to 5 years Repayment	Interest	Over 5 years Repayment
Financial liabilities	29,033	–	–	1,742	3,005	4,144	9,014	2,522	17,014
Accounts payable	5,594	–	5,594	–	–	–	–	–	–
On-account payments received on orders	5,605	–	5,605	–	–	–	–	–	–
Liabilities to affiliated companies	136	–	136	–	–	–	–	–	–
Current liabilities to banks	961	–	961	–	–	–	–	–	–
Other current financial liabilities	6,584	1,922	5,399	–	22	–	66	–	136

Dec. 31 2006 (in thousand EUR)	Carrying amount	Interest	Up to 1 year Repayment	Interest	1 to 2 years Repayment	Interest	3 to 5 years Repayment	Interest	Over 5 years Repayment
Financial liabilities	32,038	–	–	1,922	3,005	4,685	9,014	3,723	20,019
Accounts payablen	6,052	–	6,052	–	–	–	–	–	–
On-account payments received on orders	3,758	–	3,758	–	–	–	–	–	–
Liabilities to affiliated companies	58	–	58	–	–	–	–	–	–
Current liabilities to banks	606	–	606	–	–	–	–	–	–
Other current financial liabilities	3,338	1,997	2,056	–	22	–	66	–	158

h) Interest risk management
By and large, fixed interest rates have been agreed for interest-bearing receivables and liabilities. Such financial instruments are not accounted for at fair value and are therefore not subject to risks of fluctuating market prices.

i) Fair values of financial instruments
Fair value is the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no active market for the financial instruments held by the Dürkopp Adler Group.

As a consequence, the fair value is determined in agreement with generally accepted valuation methods, based on discounted cashflow analyses.

The fair value of forward exchange operations is calculated on the basis of mean spot rates applicable on the balance sheet date taking into account the forward premium or backwardation for the respective remaining term of the contract in comparison to the forward contract rate concluded.

The carrying amount of the financial assets and liabilities recognized in the consolidated financial statement correspond roughly to the fair value.

Notes
on segment reporting

Primary segmentation
The Dürkopp Adler Group is divided into two business units that follow internal control and reporting within the Group.

In segment reporting, the business activities of the Dürkopp Adler Group are assigned to the two corporate business units of Sewing Technology and Materials Handling, corresponding to Group structure.

Segment information by corporate business units

	Sewing Technology		Materials Handling		Consolidation		Group	
(in million EUR)	2007	2006	2007	2006	2007	2006	2007	2006
Orders received	114.6	115.3	43.3	33.0	–	–	157.9	148.3
Volume of orders	9.0	8.3	17.3	12.0	–	–	26.3	20.3
Sales	113.3	114.6	38.1	31.6	–0.1	–0.1	151.3	146.1
External sales	113.3	114.6	38.0	31.5	–	–	151.3	146.1
Internal sales	–	–	0.1	0.1	–0.1	–0.1	0.0	0.0
Operating profit	8.8	9.7	1.8	1.3	–	–	10.6	11.0
EBIT	8.6	9.1	1.8	1.3	–	–	10.4	10.4
Interest income	0.5	0.3	0.2	0.2	–0.1	–0.1	0.6	0.4
Interest expenses	–4.1	–4.4	–0.1	–0.1	0.1	0.1	–4.1	–4.4
Divisional profit (before taxes)	5.0	5.0	1.9	1.4	–	–	6.9	6.4
Assets	121.6	120.3	17.2	14.1	–3.1	–5.4	135.7	129.0
Borrowings including Group financing	94.1	98.4	12.4	9.9	–3.1	–5.4	103.4	102.9
Investment in intangible assets and property, plant and equipment	5.2	5.3	0.6	0.2	–	–	5.8	5.5
Depreciation	–5.6	–5.6	–0.3	–0.4	–	–	–5.9	–6.0
Impairment loss	–0.4	–1.7	0.3	–0.1	–	–	–0.1	–1.8
Net profit ratio in %	7.8	8.5	4.7	4.1	–	–	7.0	7.5
Operating ROCE in %	9.3	10.0	31.7	26.8	–	–	10.5	10.8
Cash flow from current business activities	6.8	17.1	0.8	1.3	–	–	7.6	18.4
Employees (Dec. 31)	1,661	1,660	156	147	–	–	1,817	1,807

Segment reporting by region

(in million EUR)	Sewing Technology 2007	Sewing Technology 2006	Materials Handling 2007	Materials Handling 2006	Consolidation 2007	Consolidation 2006	Group 2007	Group 2006
Sales revenues								
Germany	13.0	11.6	10.2	9.9	–0.1	–0.1	23.1	21.4
Europe	49.5	47.0	27.6	21.0	–	–	77.1	68.0
Americas	14.7	14.1	0.2	0.5	–	–	14.9	14.6
Africa, Asia, Australia	36.1	41.9	0.1	0.2	–	–	36.2	42.1
Consolidation	–	–	–	–	–	–	–	–
Group	**113.3**	**114.6**	**38.1**	**31.6**	**–0.1**	**–0.1**	**151.3**	**146.1**
Assets								
Germany	121.7	121.0	15.9	12.7	–	–	137.6	133.7
Europe	40.7	41.0	1.3	1.4	–	–	42.0	42.4
Americas	6.2	7.1	–	–	–	–	6.2	7.1
Africa, Asia, Australia	3.5	5.5	–	–	–	–	3.5	5.5
Consolidation	–50.5	–54.3	–	–	–3.1	–5.4	–53.6	–59.7
Group	**121.6**	**120.3**	**17.2**	**14.1**	**–3.1**	**–5.4**	**135.7**	**129.0**
Investment								
Germany	5.1	3.7	0.6	0.2	–	–	5.7	3.9
Europe	2.0	1.8	–	–	–	–	2.0	1.8
Americas	–	–	–	–	–	–	–	–
Africa, Asia, Australia	–	0.8	–	–	–	–	–	0.8
Consolidation	–	–0.5	–	–	–	–	–	–0.5
Group	**7.1**	**5.8**	**0.6**	**0.2**	**0.0**	**0.0**	**7.7**	**6.0**

The operating profit results from earnings before tax and interest, adjusted for income from investments accounted for under the equity method, translation differences, and gains and losses from disposals.

The operating net profit ratio is calculated on the ratio of operating profit in relation to total sales.

The return on capital employed (ROCE) is based on the ratio of operating profit to the average capital employed.

Transactions between segments are calculated on the basis of standard transfer pricing that bears comparison with arm's length transactions.

Notes on the cash flow statement

Cash and cash equivalents comprise cash at hand and cash at banks. Restraints on disposal amount to EUR 1.0 million.

Details of relations to related parties
In addition to business relations to companies fully consolidated in the Group report, relations exist to affiliated companies defined as related parties as defined under IAS 24.

Related companies

(in thousand EUR)	Services rendered 2007	Services rendered 2006	Services received 2007	Services received 2006
ShangGong (Europe) Holding Corp. GmbH	9	8	2,111	2,280
Shanghai ShangGong Import & Export Co., Ltd.	223	94	367	147
Dürkopp Adler Trading (Shanghai) Co., Ltd.	4,270	592	142	108
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd.	3,177	244	982	–

Services received from ShangGong (Europe) Holding Corp. GmbH primarily concern interest for the Group loan.

Accounts receivable with related companies

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
Shanghai Shanggong Import & Export Co., Ltd.	1	12
Dürkopp Adler Trading (Shanghai) Co., Ltd.	1,789	916
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd.	126	0
Receivables	**1,916**	**928**

Trade payables with related companies

(in thousand EUR)	Dec. 31 2007	Dec. 31 2006
ShangGong (Europe) Holding Corp. GmbH	131	54
Dürkopp Adler Trading (Shanghai) Co., Ltd.	0	4
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd.	5	0
Liabilities	**136**	**58**

All business conducted with related companies was done so at terms and conditions which are also standard for third parties.

Declaration of Conformity to the Corporate Governance Code
The Executive Board and the Supervisory Board issued a joint declaration of conformity with respect to the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Article 161 of the German Stock Corporation Act (Aktiengesetz). On November 10, 2007 it was made permanently accessible to all shareholders on the company's website: www.duerkopp-adler.com.

Notifications according to the Securities Trade Act (Wertpapierhandelsgesetz – WpHG)

By December 31, 2007, Dürkopp Adler AG had not received any information on directors' dealings with respect to Article 15a WpHG. The total share ownership of all Executive Board and Supervisory Board members at December 31, 2007 amounted to less than 1% of the total shares issued by the company.

ShangGong (Europe) Holding Corp. GmbH, Bielefeld, SGSB Group Co. Ltd., Shanghai, China and Shanghai Pudong New Area State-owned Assets Administration Bureau, Shanghai, China, informed us in letters dated July 1, 2005 and July 4 2005 that with effect June 30 2005, they exceeded voting right thresholds of 5%, 10%, 25%, 50% and 75% and that they now hold a 94.9821951% share of the vote, or 7,788,540 shares.

Voting rights are to be assigned to each of the two companies, SGSB Group Co. Ltd. and Shanghai Pudong New Area State-owned Assets Administration Bureau, Shanghai, China, in accordance with Article 22, para. 1 sentence 1, No. 1, sub-para. 3 WpHG.

Pursuant to Article 21, para. 1 WpHG, Shanghai International Holding Corporation GmbH (Europe), in Hamburg, Germany informed us on August 16, 2007 that its proportion of voting rights in Dürkopp Adler AG, in Bielefeld, Germany (ISIN: DE0006299001, security identification number 629900) secured through shares had fallen below the threshold of 3% of the voting rights as per August 16, 2007 and that this now amounted to 0.2%, or 16,400 shares.

Audit of annual accounts

In 2007, auditors' fees of EUR 58 thousand (prior year: EUR 89 thousand) were expensed. These fees were solely with regard to the balance sheet audit.

Supervisory Board and Executive Board

The members of the Supervisory Board and the Executive Board are listed separately. In fulfillment of their duties, Executive Board members were paid a total of EUR 397 thousand (prior year: EUR 375 thousand). Of this sum, EUR 110 thousand (prior year: EUR 115 thousand) was apportioned to a performance-related variable component of salary. Supervisory Board members received a total of EUR 29 thousand (prior year: EUR 31 thousand). Former members of the Executive Board and their surviving dependents were paid a total of EUR 360 thousand (prior year: EUR 374 thousand). A total of EUR 3,458 thousand (prior year: EUR 3,692 thousand) has been set aside for pension commitments to former members of the Executive Board and their surviving dependents. Dürkopp Adler AG does not assume liability for the Executive Board or for the Supervisory Board.

A resolution passed at the Shareholders' Meeting on June 29, 2006 waived the listing of emoluments for individual members of the Executive Board and the Supervisory Board.

Non-disclosure Option – Article 264, para. 3 of the German Commercial Code (Handelsgesetzbuch – HGB)

The subsidiary Dürkopp Fördertechnik GmbH, Bielefeld, Germany included in the consolidated financial statements has made use of the exemption rules provided for under Article 264, para. 3 HGB.

Offices held by members of the Supervisory Board and the Executive Board

Supervisory Board:

Min Zhang
Chairman of the Supervisory Board
Chairman of the Board of Directors and CEO of SGSB Group Co., Ltd., China

Other positions:
a) SMPIC Corporation Ltd., Shanghai, China, (Chairman)*
Dürkopp Adler Trading (Shanghai) Co., Ltd., China, (Chairman)*
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd., China, (Chairman)*

Lixi Wang (until October 1, 2007)
Vice-Chairman of the Supervisory Board
Member of the Board of Directors and General Manager of SGSB Group Co., Ltd., China

Other positions:
a) Shanghai ShangGong Sewing Machine Co., Ltd., China, (Chairman)*
Shanghai ShangGong Import & Export Co., Ltd., China, (Chairman)*
Shanghai Butterfly Import & Export Co., Ltd., China, (Chairman)*
(until October 22, 2007)
Dürkopp Adler Trading (Shanghai) Co., Ltd., China*
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd., China*

Hengliang Zhang (until February 28, 2007)
Consultant of the SGSB Group Co., Ltd., China

Prof. Fangyu Fei (until February 28, 2007)
Professor Shanghai Communication University, China

Other positions:
a) SGSB Group Co., Ltd., China*
Dong Feng Electronic Technology Co. Ltd., China
Shanghai San Mao Group Co. , Ltd., China
China Textile Machinery Co. Ltd., China
Jin Bei Automobile Co. Ltd., China

Minliang Ma (since March 21, 2007)
Vice-Chairman of the Supervisory Board (since October 12, 2007)
Member of the Board of Directors and General Manager of SGSB Group Co., Ltd., China

Other positions:
a) SMPIC Corporation Ltd., Shanghai, China, (Vice-Chairman)*
Shanghai Butterfly Import & Export Co., Ltd., China, (Chairman)*
(since October 22, 2007)
Shanghai Suoying Zhiye Co., Ltd., China, (Chairman)*
Dürkopp Adler Trading (Shanghai) Co., Ltd., China*
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd., China*

Prof. Zhile Wang (since March 21, 2007)
Director of Research Center on Transnational Corporations, CAITEC, MOFCOM, Peking, China

Other positions:
a) SGSB Group Co., Ltd., China*

Yinguo Hou (since October 15, 2007)
Vice General Engineer of SGSB Group Co., Ltd., China

Werner Horst** (until July 1, 2007)
Chairman of the Works' Committee (until July 1, 2007)

Klaus-Jürgen Stark**
Chairman of the Works' Committee (since July 1, 2007)

Gerd Stockmeyer** (since October 15, 2007)
Vice-Chairman of the Works' Committee

Executive Board:

Alfred Wadle
Chairman of the Executive Board

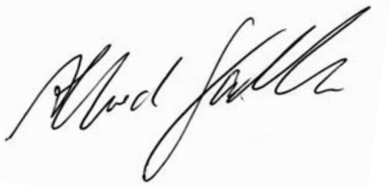
Other positions:
a) Minerva Boskovice, a.s., Czech Republic (Chairman)* (since June 6, 2007)
Dürkopp Adler DaFuJi (Dalian) Sewing Machines Co., Ltd., China (Chairman)*
Dürkopp Adler International Trading (Shanghai) Co., Ltd., i. L., China (Chairman)*
Dürkopp Adler Far East Ltd., China (Chairman)*
Dürkopp Adler America, Inc., USA (Chairman)*
Dürkopp Adler Italia S.r.l., Italy (Chairman)*
Dürkopp Adler Trading (Shanghai) Co., Ltd., China*
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd., China*

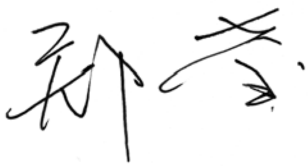
Ying Zheng
Managing Director of ShangGong (Europe) Holding Corp. GmbH, Germany

a) Member of international supervisory boards

* Group position   ** Employee representative

Bielefeld, March 5, 2008





Alfred Wadle   Ying Zheng

Auditors' Report

We have audited the consolidated financial statements prepared by Dürkopp Adler Aktiengesellschaft, comprising the balance sheet, the income statement, the statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a, para. 1 of the German Commercial Code (HGB) are the responsibility of company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and in compliance with German generally accepted standards for auditing financial statements dictated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). These standards require that we plan and perform the audit in such a manner that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements prepared in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the Group's business activities and its economic and legal environment, and expectations as to possible misstatements are taken into account in determining audit procedures. The effectiveness of the accounting-related internal control system and evidence supporting disclosures made in the consolidated financial statements and the group management report are examined on a test basis within the framework of the audit. The audit comprised assessments of annual financial statements of those companies included in the consolidation, of the basis for inclusion in consolidation, of the accounting and consolidation principles applied and of significant estimates made the companies legal representatives as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair picture of the financial position, financial performance and cash flows of the Group in accordance with IFRSs as adopted in the EU and additional requirements of German commercial law pursuant to Section 315a, para. 1 HGB. The group management report is consistent with the consolidated financial statements and, as a whole, provides an accurate understanding of the Group's position and suitably presents the opportunities and risks of future development.

Dusseldorf, 5 March 2008

BDO Deutsche Warentreuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff, Wirtschaftsprüfer   Horn, Wirtschaftsprüfer

Responsibility Statement

"To the best of our knowledge, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the accounting principles applied, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Bielefeld, March 5, 2008

Dürkopp Adler Aktiengesellschaft
The Executive Board

Alfred Wadle Ying Zheng

Equity Holdings

at December 31, 2007 for Dürkopp Adler Aktiengesellschaft and the Group

No.	Name and based in	Equity interest AG in %	Equity interest group in %	Equity capital* (in thousand EUR)	Result after taxes* (in thousand EUR)
Germany					
1	Dürkopp Fördertechnik GmbH, Bielefeld	100.00	100.00	2,045	– **
2	Adler Industrienähmaschinen Verkauf GmbH, Bielefeld	100.00	100.00	103	–1
3	Beisler GmbH, Hösbach	100.00	100.00	974	4
Europe					
4	Dürkopp Adler France S.A.S., Paris, France	100.00	100.00	1,955	194
5	Dürkopp Adler Italia S.r.l., Mailand, Italy	100.00	100.00	3,075	215
6	Dürkopp Adler Polska Sp. z o.o., Wroclaw, Poland	100.00	100.00	–316	66
7	S.C. Dürkopp Adler masini de cusut S.R.L., Sangeorgiu de Mures, Romania	100.00	100.00	2,333	–38
8	Minerva Boskovice, a.s., Boskovice, Czech Republic	87.99	87.99	10,571	879
America					
9	Dürkopp Adler America, Inc., Atlanta, USA	100.00	100.00	2,081	63
10	Dürkopp Adler Mexico S.A. de C.V., Mexico City, Mexico	0.00	99.98	–1,667	–
Asia					
11	Dürkopp Adler Far East Ltd., Hongkong, China	100.00	100.00	140	–204
12	Dürkopp Adler International Trading (Shanghai) Co., Ltd., i.L., Shanghai, China	100.00	100.00	–785	–88
13	Dürkopp Adler DaFuJi (Dalian) Sewing Machines Co., Ltd., Dalian, China	75.00	75.00	1,302	112
14	Dürkopp Adler Trading (Shanghai) Co., Ltd., Shanghai, China	25.00 ***	25.00	1,085	–35
15	Dürkopp Adler Manufacturing (Shanghai) Co., Ltd., Shanghai, China	30.00 ***	30.00	739	1

* The values correspond to the financial statements prepared in accordance with country-specific regulations. For international companies, equity capital is converted using the mean exchange rate on the balance sheet date and the results are converted using the yearly average rate of exchange.

** Profit/Loss transfer agreement with Dürkopp Adler AG and making use of the non-disclosure option in accordance with Article 264, para. 3 of the German Commercial Code.

*** Investments consolidated according to equity method based on data as at Dec. 31, 2006.

Dürkopp Adler in figures

Dürkopp Adler Group		2004	2005	2006	2007
Sales	**million EUR**	**133.3**	**128.6**	**146.1**	**151.3**
of which: international	%	84.0	85.7	85.4	84.7
Order position					
Orders received	million EUR	135.7	129.9	148.3	157.9
Orders on hand	million EUR	16.5	18.2	20.3	26.3
Personnel expenses	**million EUR**	**55.2**	**49.0**	**49.8**	**51.7**
Employees					
At year end		1,841	1,772	1,807	1,817
Average on year		1,929	1,805	1,753	1,785
Material expenses	**million EUR**	**50.4**	**52.1**	**61.0**	**73.0**
Operational result	**million EUR**	**–0.1**	**4.9**	**10.4**	**10.4**
Finance balance	**million EUR**	**–3.7**	**–4.0**	**–4.0**	**–3.5**
Result before income taxes	**million EUR**	**–3.8**	**0.9**	**6.4**	**6.9**
Income taxes	**million EUR**	**–0.3**	**0.5**	**–1.1**	**–4.3**
Net income	**million EUR**	**–4.1**	**1.4**	**5.3**	**2.6**
Non-current assets	**million EUR**	**52.5**	**53.3**	**54.4**	**52.6**
Ratio to balance sheet total	%	43.1	40.8	39.9	37.4
Fixes assets	million EUR	47.2	46.3	47.3	48.3
– Investments	million EUR	4.9	5.2	6.0	7.7
– Depreciation	million EUR	7.8	6.2	6.0	6.5
Current assets	**million EUR**	**69.3**	**77.4**	**82.0**	**87.9**
Ratio to balance sheet total	%	56.9	59.2	60.1	62.6
Inventories	million EUR	32.2	35.3	34.2	39.5
Equity	**million EUR**	**20.2**	**22.2**	**29.1**	**31.8**
Ratio to balance sheet total	%	16.6	17.0	21.4	22.7
Subscribed capital	million EUR	21.0	21.0	21.0	21.0
Non-current liabilities	**million EUR**	**53.1**	**87.0**	**82.0**	**77.7**
Ratio to balance sheet total	%	43.6	66.6	60.1	55.3
Current liabilities	**million EUR**	**48.5**	**21.5**	**25.3**	**31.0**
Ratio to balance sheet total	%	39.8	16.4	18.6	22.1
Balance sheet total	**million EUR**	**121.8**	**130.7**	**136.4**	**140.5**

Key data					
Sales per employee	thousand EUR	69.1	71.2	83.3	84.8
Personnel expenses per employee	thousand EUR	28.6	27.1	28.4	29.0
Return on Capital Employed	%	–0.1	5.1	11.1	11.5
Return on sales	%	–2.9	0.7	4.4	4.6
Cash flow from operating activities	million EUR	13.9	4.2	18.4	7.5
Added value	million EUR	55.1	53.8	60.1	62.1

Contact

Financial Calendar

Shareholders' Meeting 2008 in Bielefeld: June 26, 2008
Interim Report 1. Half of 2008: August 2008

Contact us

Dürkopp Adler AG
Potsdamer Straße 190
33719 Bielefeld
Telephone: +49(0)521/925-2604
Telefax: +49(0)521/925-2645
Internet: www.duerkopp-adler.com

Public Relations/Investor Relations
Telephone: +49(0)521/925-2605
Telefax: +49(0)521/925-2645

Imprint

Published by
Dürkopp Adler AG, Bielefeld

Layout and Design
bme werbeagentur, Hannover

Photographs
bevisio, Bielefeld